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ADVANCED MANAGEMENT

SEPTEMBER 1954 VOLUME XIX NO. 9

In This Issue . . .

Good Management Men Delegate Authority
John H. Gorsuch

Dangers of Management Specialization
Philip B. Hofmann

Human Relations Plans
Richard Stevens

Management's Basic Function—Part II
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ADVANCED MANAGEMENT

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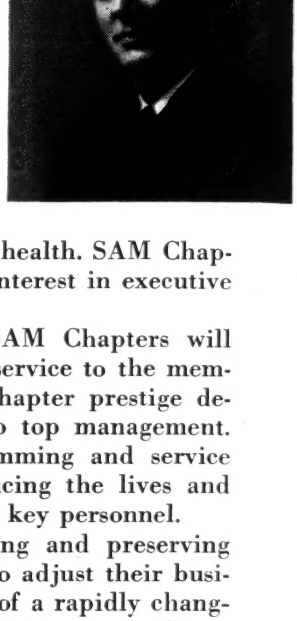


"Executive Suite" Heart

NEARLY every week we have been seeing in the newspapers the shocking news that "Vice President So-and-So of Such-and-Such Company, died suddenly of a heart attack, age 58." And so comes to an end a richly productive career, taking away with it all of its varied knowledge, experience, judgment and sensitivity to values, and many arduously acquired skills.

When we try to total up in our minds the human suffering and corporate loss—when the investment of affection by families and training by corporations comes to a sharp halt with such a crack-up — we are almost staggered by the sum. Physicians, psychologists, psychiatrists will agree that this loss is largely unnecessary, but it cannot be prevented by professional sources alone. Doubtless much of this heart and artery failure results from bad eating habits, bad living habits, excessive caffeine, nicotine, and insufficient sleep.

But a lot of these excesses, and a lot of the killing pressures, are the result of management policies and practices. Moorehead Wright of General Electric has recently pointed out that an extensive study, made by GE, reveals the primary factor in management development to be the "climate" in which managers do their work. Almost certainly in like manner the primary cause of managers' crack-up will be found in that same "climate."

It would be extremely appropriate if the Chapters of the Society for Advancement of Management would turn their attention, as a Chapter activity, to a study of those influences which contribute to the breakdown of management's health in their community. What is the mortality record of executives in your home town? What can be done to conserve that most valuable "manager-power?"

Stop and think about the fact that for 2 years the only appropriation recommendation that U. S. Congress has raised has been the one for health. There is almost universal interest in physical longevity and good health. SAM Chapters could count on public interest in executive health.

In the long run those SAM Chapters will grow best that render vital service to the members of their community. Chapter prestige depends on Chapter service to top management. Here is an area of programming and service primarily directed at enhancing the lives and efficiency of top management key personnel.

A major way of improving and preserving these lives is helping them to adjust their business practice to the changes of a rapidly changing technology; and change rates are accelerating. Let's help executives prevent the dangerous pressures, delays, and conflicts that break the hearts of responsible managers. It is quite striking to look at the contents of this issue from this point of view.

John Gorsuch, in his article, shows how delegation can actually work; is there a top management man in this Society, or in your company that should read that article? Send it to him!

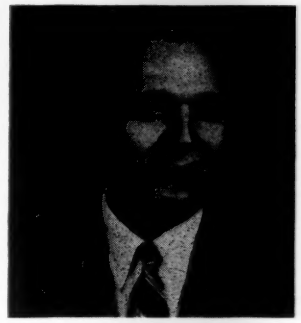
Similarly, many of the conflicts which break the heart of the executive grow out of the dangers of over-specialization pointed out in the Hofmann article. When you remember McCaffrey's article in Fortune Magazine recently on "What Corporation Presidents Think About At Night"—namely, people, Crosby on successful community relations, and Stevens' debunking the over-complex human relations programs, then use this issue's articles to give your President a better subject for thought.

I recently heard Walter Wheeler of Pitney-Bowes discuss the strains of carrying responsibility for ultimate presidential decision making. I am going to send him Jackson's article. How much of the wear and tear on the executive heart can be removed by having clean cut policies, as described by Jack Joynt?

As a matter of fact, this whole issue is ammunition with which each Chapter can make its own attack on "Executive Suite" heart.

Note: Our President, George Estes, hospitalized by an injury, has asked the Executive Vice President to act in his behalf for a few weeks. Just out of the hospital as this goes to press, it appears now that President Estes will be back on the job before the next issue.

JOHN S. GORSUCH is the present Manager of Personnel Development for the U. S. Steel Corporation. With degrees in Electrical Engineering and Clinical Psychology, he began his industrial career in 1931 as clinical psychologist for the Pennsylvania State Department of Welfare. His affiliation with U. S. Steel began in 1946. Mr. Gorsuch is a member of the American Psychological Association and the Pittsburgh Personnel Association.



Good Management Men Delegate Authority

by John H. Gorsuch, Assistant Director, Organization and Personnel Development, U.S. Steel Corporation, Pittsburgh

This article tells in detail how an executive can learn to delegate authority, not on paper or in charts, but in actual practice. The author points out the common obstacles to delegating, describes the proper uses of executive self-discipline, the common executive fear of rising competition, and outlines an over-all plan that any management man can follow to build up subordinates and so encourage the strength and help build the future of his company

THE one-man-band type of executive is a common phenomenon in American business. He is invariably busy, so busy that it is hard to get an appointment with him, harder still to keep his attention. The telephone interrupts, people run in and out with papers, problems, questions. His attention is dispersed over a host of minor details. His subordinates invariably must refer problems to him for attention. His frustrated staff keeps busy justifying what has happened. They haven't time to work on future plans and improvements.

Strangely enough, the one-man-band executive always sees himself as a student of organization and a practitioner of delegation. To him, delegation is the great thing. He proves it by showing elaborate organization charts in handsome bindings. He doesn't seem to realize that delegation on paper is only theory; that true delegation involves people.

Right here is where many executives get off the track. Attention focused on organization structure and charts passes for delegating, and hides the essential thing—how to put delegation into action. Charts may hint at the authority and responsibility supposed to be flowing from top to lower levels, but they don't get it done. Putting delegation into action often requires that people be trained in the skill, just as the machinist has to be trained in his work.

Good delegation practice does not mushroom overnight. From the very start, time and effort and persistence are required to develop the art and keep it alive, because effective delegating is one of the continuing problems an executive must live with. The ideal place to start training an executive is, of course, in his first supervisory assignment. It provides the psychological moment to get him started on the right foot. Up to now he has developed no bad habits in this area, no mental hurdles because of past failures. He can be easily sold on the great need for forming habits of action. But it isn't always possible to begin with the tyro. Habits of action are also needed by seasoned executives.

Most executives have acquired their know-how the hard way. But the know-how gets dimmed by the illusion that delegation is a static thing that, once developed, will stay developed. It won't; and seasoned executives need to put their knowledge into daily performance to keep it alive, or they will fall short of full effectiveness. This is important in any organization, but emphatically so in the larger ones where numerous levels and greater complexity magnify the problems of transmitting authority and responsibility.

How, then, can the executive make sure he is doing the right job? What are the methods he needs to use to train others how to delegate, and for that matter, to keep in training himself?

It will be helpful to examine some of the things that retard delegation in practice.

Unless the executive is willing to impose rigid discipline upon himself, his effectiveness will be limited. Too many bosses do their subordinates' work because they are not conscious that it takes self-discipline to let their helpers help them.

A newly promoted boss should do the job he is promoted into. Too frequently he tends to continue performing the duties of his old job. If a foreman is made general foreman but is not fully indoctrinated in the new assignment, he is likely to neglect his new duties while hanging on to his old familiar tasks. It is natural and easy to continue the du-

ties he should have left behind. Conversely, it requires a high order of self-discipline to trust the replacement man to carry on as he would have done.

But without this self-control, our new executive not only fails to fulfill completely his new assignment, but also hampers his replacement and creates a confusion only too commonly observed. And then, if he is again promoted to department superintendent but still hasn't learned to delegate, he will tend to pull many of the duties of his old foremanship up with him. Indeed, in some extremes, we have organizations with little authority lodged below the vice-president level, so that we find the vice president and his staff doing everything but emptying the waste baskets and sweeping up.

Same Reason Given By Most Executives Who Fail

The executive may not be conscious that his failure to delegate is caused by preoccupation with the duties of his old job. He believes it is something beyond his control. What is the main reason executives give for failure to delegate?

The reason most often given is lack of confidence in subordinates. What does this lack of confidence mean? It may really mean lack of development of subordinates. The boss failed to realize that competance must be developed gradually. Few subordinates perform a delegated function easily or adequately at first. Baseball players don't blossom into big leaguers over night. The subordinate will make mistakes, and the boss must be big enough and tolerant enough to know it and to shoulder the responsibility. Let him plan early assignments wherein mistakes are not disasterous.

Self-discipline has another facet. A subordinate should be granted reasonable opportunity to perform any assignment on his own. How often is he pestered by the boss with a running fire of suggestions and the repeated question, "How are you coming along?"

Another example frequently seen is that of the boss who permits others to bypass his subordinates, or may even do so himself. He may delegate, for instance, the matter of assigning office space, or hiring and firing. But every time an assignment is made, the subordinate can't make it stick. He finds himself bypassed. This tendency stands out in strong relief when there is a desirable plum to hand out; the boss hands out the good things, letting the subordinate handle the unpleasant ones. Executives who tend to do that should ask themselves why.

Again, the subordinate must have elbowroom. He, needs latitude to learn by doing, and by making a few mistakes.

That amounts to tolerance in delegation, an element which too few executives have developed into an active practice. No executive should expect a man to perform precisely as he would. For example, if a man is asked to write a letter, he could never use exactly the words the boss would use. So the boss should discipline himself not to make insignificant changes, but only those of real substance. Any subordinates must be permitted elbowroom. Ignoring this can have an adverse effect on delegation practices all down the line.

Another cause of failure to delegate may be a subconscious one. Underlying it is an instinctive resistance to new methods which a subordinate may introduce, to which the superior is not accustomed. The seasoned executive has passed beyond the details of process and procedures that today concern supervisors on lower levels. His thinking harks back fifteen to twenty-five years, and he has difficulty in applying his past experience to the new order. Right here the tendency to keep a tight hold on the reins is almost irresistable. The tight hold can be relinquished only through the exercise of severe self-discipline and trust in the subordinate. But it must be done if the executive intends to really delegate.

Delegation Practices Have Flaws That Weaken Them

Another retardant is fear of competition. Some hesitate to delegate for fear their subordinates may outshine them. This is particularly true with a group of incumbents who have been associated together for years, whose thinking has become inbred, with concomitant stagnation of tolerance. The competition of the new man seems to menace the *status quo*, so they are prone to content themselves with organization diagrams while they withhold real delegation of responsibility and authority.

Delegation practices suffer from another ailment, that of retracttion of what has already been delegated. Fear of adverse publicity from inadvertent failure to comply with new laws, or emergency government controls, may make top management hesitate to delegate or cause them to retract responsibilities once delegated. These are real fears to which large organizations are understandably sensitive. But the danger lies in failure to reassign down the line the proper degree of authority and responsibility when the emergency is over.

We have examined first the illusion that organization charts are in themselves delegation and second, some of the reasons why delegation dosen't get done. What can the executive do to get delegating action among his own key men?

It is clear that if the idea and the willingness to delegate are to be transmuted into action, the technique cannot be learned and then shelved. It requires continuing exercise. How is one to improve executive facility in this area. The matter cannot be tackled on an informal, unplanned basis. It is too important for that. Without systematic, conscious effort, a hit-or-miss job will result, delegating skill will atrophy, and the transfer of authority and responsibility will remain an illusion.

Division Of Work Is Needed For Good Planning

Here is an example familiar to everyone. How often have you seen two, three, or even four levels of supervision looking over a broken-down machine that is definitely the province of the junior supervisor? Will the foreman learn to carry the ball if the department superintendent is always breathing down his neck? Will the superintendent learn how to delegate if he can't trust the foreman? Good delegation begins by making sure each executive understands the need for division of work, and then by planning for it.

The first step in improving delegation on the part of any executive is to focus the attention of his organization on the matter, and stimulate their interest in doing something about it. The easiest and best way is to utilize the normal communication channels in the daily business situation. He can give the topic a prominent place at staff meetings and in individual discussions with subordinates, pointing out its importance to effective organization operation and stressing that he considers it a major

element in judging an executive's competence. Such discussions also should provide information regarding the nature of delegation. Stress should be given to the two facets, authority and responsibility. The discussions should thoroughly overhaul the reasons why executives fail to delegate properly. Of course, whatever he says, to be effective, must be reinforced by good example on his own part. There is no use talking delegation if he doesn't intend to practice it.

Good Organization Chart A Must For Efficient Operation

Next, to provide the proper background for effective delegation, there is need to develop an organization chart and related job descriptions if it has not already been done. These block out each man's assignment and its relation to other jobs. They avoid confusion and conflict from overlapping or haphazard arrangement of duties. The utility of these familiar tools needs no further elaboration. The important thing to remember here is that these tools are but a single step.

With this accomplishment, the executive should have a plan or systematic program to help him and his subordinates to be delegators. A formal program should provide a pattern for discussion and work with subordinates to show each one his place in the over-all organization and to clarify the authority and responsibility to be delegated.

Starting at the top, each subordinate executive is made aware of his particular role in the delegating pattern, by his boss. He is made aware of the limitations of the organization chart. He learns that action is wanted, that a conscious effort to delegate is to be made. Delegating means investing with authority to act for another, and this investing flows from the top down. He learns the significance of these words and their far-reaching implication, and he learns that he can't be content with mere willingness to delegate.

Each executive plans work assignments for his subordinates which are consciously aimed at achieving delegation in action. He explores with his people the facets of their authority and responsibility. In doing this, he needs to accomplish two things. First, he must succeed in defining the area of each man's job. The details must be filled in on the job, clarifying formal and informal relationships, to establish when and where the authority and responsibility of each man begins and ends. Second, he uses the daily work situation to develop the skills that make delegation work smoothly.

One of the skills is that of giving sufficient instructions. The lack of adequate instructions when delegating is almost as commonplace as the failure to delegate. When subordinates walk out of the boss's office with a hazy or incomplete picture of what their assignments are, how far they are to go, or when the job is to be completed—all of these are the result of inadequate explanation and instruction by the boss. Supervisors need to learn how to give sufficient instruction when making assignments and how to set up time schedules for interim reports and for the completion of the job.

A detailed discussion of the reporting aspect of delegation is not, but this much should be said; failure to plan adequate reporting procedure is the downfall of many an executive. He who delegates with no provision for planned follow-up puts himself in jeopardy through failure to provide the guidance a subordinate must receive. Follow-up devices are evidence of the executive's interest.

Subordinates Should Report Regularly To Their Boss

The devices adopted will, of course, vary with the situation. By working together, boss and subordinate can crystallize procedures which are appropriate to the particular job. Staff meetings, group conferences, individual discussion, personal visits to the work situation, progress reports and work diaries are common devices. By means of one or several of them, the subordinate finds out when he should check back with the boss and others, and how to inform the boss of progress.

In summary, a planned approach to delegation embodies the use of all the devices previously discussed, the organization chart and job descriptions, the perfection of reporting procedures, coaching on the job, plus a schedule of initial assignments. These initial assignments can be followed by those of greater complexity until, assignment by assignment, the subordinate becomes competent in the full scope of his responsibilities, and the delegating powers of executives throughout the company are revived and freshened.

The example of the football coach was never more apt. The coach can give endless chalk talks to explain the plays, and he gets pretty good pay for it. But it would be ruinous if he did not keep off the field during the game. Real teamwork in action requires individual initiative to execute the plays on the field against the opposing team. Like the coach, the executive must take time to discuss performance with his subordinates on a regular, planned basis, and then let them play it out.

Failure To Give Proper Rewards Is Bad Business

Finally, to give the matter real impetus, it is necessary for the boss to reward subordinates who become adept. He should let the organization know that in considering personnel for advancement or merit increases, close attention will be paid to effective delegation practices. Of course, it goes without saying that he had better never bring up the matter if he isn't going to make good his statements.

Every executive can, of course, take the initiative toward active delegation in his own segment of the organization. He can develop his own ways and means, but sponsorship by top management can do much to foster such individual effort. Even an executive at a senior level is restricted by the practices of his associates and controlled by the amount of authority that has been delegated to him. Thus, top management attention and energetic participation are required for full effectiveness.

Top management and only top management can provide a climate conducive to maximum progress. It can adopt policies which focus attention on the matter and provide for a planned approach on a company basis, so that executives have the necessary personnel tools to implement the program. Also, it can maintain interest and momentum through a definite policy of giving recognition to those executives who succeed in developing their subordinates to the point where they can and will discharge the responsibilities delegated.

But most of all, executives comprising top management can make their greatest contribution in the example they set in their day-to-day work with subordinates.

Also, executives at the top level can motivate subordinates on a continuing basis through carefully planned discussions at staff meetings or other group functions. They can initiate the movement of authority and responsibility down the line, since delegation flows down, not up.

It should be apparent that the problem of delegation is so closely tied to the daily work habits of executives that it is primarily an on-the-job problem of the line executive. This limits the contribution the personnel man can make to that of advisor and catalyst.

Nevertheless, there are specific things a personnel man can do. Recalling the several obstacles to good delegation, it is apparent that he can make a major contribution in helping formalize orientation and training for executives assigned to new positions.

The importance of the formal program gives scope to the personnel man. Once the program has been developed, there still remains the problem of tailoring it to the specific requirements of each executive's organization, and the personnel man should be called on to help. Many seasoned executives need assistance to provide sufficient instructions when delegating, to devise proper reporting procedures, and most of all, to develop the skill needed in coaching subordinates. The personnel man can be a catalyst in maintaining interest and attention through his personel contact with executives, and at staff meetings and other executive get-togethers.

Delegation in action is made up of a number of specific steps. Time and effort are needed to take the aim away from a paper target and fix it on action. It isn't easy for the one-man-band executive to change his ways, but the more surely he is impelled to do so, the more competently he will carry increasing responsibilities as he moves upward, and the easier it will be for his associates to work with him at every level.

Perhaps the most important achievement is the enormous difference his new habits will make in his subordinates. Failure to delegate impairs the boss's effectiveness, but worse, it blocks the sound development of his juniors. Indeed, the degree to which an executive develops his subordinates is a measure of his effectiveness as a delegator. It follows, then, that delegation in action is a fundamental of management development.

The organization is the sum of the characteristics of its people. A good delegator is looked on as a fine example of high management development. He doesn't cling to little powers. He is able to relate himself to the needs of the job, rather than tries to mould the job to his own ways. He grows tolerant, lets his people develop. He knows his subordinates are good, and he provides opportunities for them to do their best so that they can get better. An organization made up of such people has character. Its tone rings true. Its progress is just as steady as that of its executives.

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A Research Publication of the Society for Advancement of Management

74 Fifth Avenue, New York 11, N. Y.

PHILIP B. HOFMANN began work at Johnson & Johnson as a shipping clerk in 1931. He is now Vice-Chairman of the Board and a director of the company. Other positions he has held since his graduation from the University of Pennsylvania include junior and senior salesman, cost and methods study work, and various managerial positions with several pharmaceutical supply organizations.

Dangers Of Management Specialization Today

by Philip B. Hofmann
Vice-Chairman of the Board
Johnson & Johnson

This article was first given as a speech at a SAM Conference more than a year ago. It is, if anything, more true today than when it was composed. The philosophies and attitudes that bring about the practical facts that confront modern management men in every industry, are given thorough, thoughtful analysis here

WITHOUT question of a doubt, our American civilization today is the most fabulous one since the beginning of time. Now we are told, each year, we are widening the gap between our economy and that of the rest of the world. It is true we have developed a whole, new class of society. The working man in this country is no longer a laborer. He is a technician. The fine automobiles parked around big industrial plants are testimony to the fact that this new society is made up of a well-educated group of people, technically trained, earning considerably more than the old subsistence level—enabling them to have a free choice as to the many places where they may spend their earned money over and above food, housing and clothing.

The philosophies of the men, and their attitudes which brought about this economic system, are too strong to let it fail. American management has done an outstanding job in the creation of opportunities for individuals and products for consumers. And in doing so, management has brought about an age of specialization. In our big industries today, there is a specialist for almost everything.

This specialization is good, and the record proves that it is good. But specialization is not enough. Careful analysis indicates that we may be neglecting the broad viewpoint which should be combined with this specialization.

Let's analyze to see what specialization without a broad viewpoint produces. It seems to me that in the first place it can produce the narrow-minded executive. For example, the sales manager who is so intent on building a volume that he endeavors to ride rough-shod over his associates without regard and without understanding of the production problems. The kind of sales executive who expects his large production department to operate on a job-lot basis. In addition, sometimes we see the financial executive, who has a total lack of understanding of the customer, the sales' viewpoints, the problems of the sales department, the problems of the customer. The controller who is a glorified accountant. He can add, he can subtract, he can get the figures, but he lacks the understanding of their application to the overall welfare of the business. Unfortunately, also, we sometimes find the executive who is without understanding of any of the fundamentals of good human relations. The man who operates with a slide-rule, the charts, the graphs, and all the factors which endeavor to measure man as a machine, forgetting that man is not and never will be a machine.

In the second place, specialization without a broad viewpoint has the unhappy faculty of producing poor business judgment on the part of an executive. A very competent sales executive developed a plan whereby he could get the necessary raw material for one of his products. All it took was a new manufacturing plant. He had somebody who would build it. The only thing that was necessary to his plan was the money. It took quite a few million dollars. He found it a little difficult to understand when the chief executives of the organization turned him down. He pointed out that the company's credit was good. The difficulty was that he didn't understand that the reason why the company's credit was good, was because they avoided such ventures.

Another area which involves poor business judgment. One of the most difficult decisions for a business executive to make is to "bury his dead horse." The narrow-minded specialist finds it particularly difficult. His pride in his specialty,

in his particular ability, will many many times lead him to stay too long when the horse should have been buried several years before. Another example is that of the specialized credit manager without the broad viewpoint. The man who adheres completely to the standardized ratios of overdue accounts and losses written off at the end of the year. In his specialty, low rates of delinquency and low rates of write-offs are admirable; but there can be times where considerable delinquency and high write-offs can be highy profitable. For example, during the middle 30's, I knew of one company that deliberately raised its credit-write-off-losses to about ten times the normal. They did it with their eyes open. They found that the increased volume, produced in this manner, so lowered their production costs that they ended up with a higher profit.

Dictatorial Attitude Weakens A Human Relations Plan

Another danger in specialization is that it can lead to a dictorial attitude, an attitude that hampers the human relations of the specialist within his own group. He can become so enamored of his ability in his own field, that within due time he can become impossible to associate with, even within his own specialty.

Specialization without a broad viewpoint hampers the executive's ability to contribute to community efforts. A major function of the management executive today is to provide leadership in his community. If he does not have broad understanding, his leadership will not be what it ought to be. Further, a narrow viewpoint hampers the executive's ability to contribute to his specific industry, to his associates, to management associations and organizations. It is not good for the controller to talk only to controllers, with only the specialized controller's viewpoint. Neither should the sales manager meet only with other sales executives. It's too much of one kind talking to its own kind. Most important of all, specialization without the broad viewpoint fails to produce the most important executive in any company, namely, the president and/or general manager. The man on whose shoulders rests the entire conduct of the business. The man who has to make the broad-policy decisions. The man who has to look into the future, and make the long-term plans. The creation of tomorrow's presidents and general managers is an area in which I feel improvement is in order.

Let's look at the record. Here is a very brief recapitulation of some outstanding changes in this year 1953:

One of the largest auto companies recently brought a new president; a man from the outside. A large, internationally-known steel company brought in a new president from the outside. A large aircraft corporation brought in an executive vice president and general manager; a former Brig. General from the Army. One of the large can companies brought in a new president. He came from a small can company. One of the large soap companies brought in a new executive vice president about a year ago, and recently made him president. Another large aircraft company brought in a new president from the outside. A famous name in clothing accessories for men brought in a new president from the outside. A steel-operating company brought in a new president from the outside. A large textile company brought in a president from the outside. One of the largest soap companies has had two new presidents in the past five years and they both came from the outside. So much for industry. It is rather interesting that one of the best known universities in this country, with an outstanding business school, has just inaugurated a new president. He was the former president of a small college in Wisconsin. He was probably picked because he was not a specialist.

The Leader Without Proper Training Can't Lead

Some months ago I had occasion to sit down with a treasurer of one of these companies, (one with a new president) and I asked him how the new president was getting along. He said, "Fine, considering." Somewhat curious, I said, "What do you mean, considering?" He said, "It was very difficult to come into an organization as big as ours, on the top. Not knowing the people, not knowing the policies, or the philosophies, or have the 'feel' of the business. After all, businesses are not plants and financial statements. They are primarily people and products." I thought a lot about that statement. Think how much better it would have been for that organization if a man who had grown up in the business, and been properly trained, had been able to step in at the time that they needed a new general manager.

Advantages To Business Of Leaders With Broad Vision

It may be well now to take a look at the advantages of broad-visioned specialists. What does it mean to a business? First, it means an ample supply of top-management men. It means better teamwork within the organization, among the various specialists. It means less "red tape" and "going-through-channels"; routine that take so much time and cost so much money. It means better management by the specialist of their own groups. It should mean a lower turnover in executive personnel. It should mean a greater opportunity for men to grow in an organization. No worth-while, ambitious executive wants to stay with an organization who has to fill its top jobs from the outside. It means better business decisions. Surprising as it seems, the super-market manager of an independent super-market in Oshkosh is usually a better business man than a high-priced specialist, That super-market manager is not only manager, he is director of personel, he is in charge of inventory control, he's his own controller, he does his own buying, he writes his ads for the newspapers, he is all things to that business, and he has to be a good-rounded business man or he would go broke. In addition, industry will have better community relations both locally and with society as a whole if it has broad-visioned men within its ranks. And the broad-visioned specialist making up a team can't help but mean more volume for the business, more net profit, more expansion, more jobs, better living.

Assuming that it is desirable to create generalists out of our specialists, it seems to us that there are a number of different approaches. The first, of course, is that you must put into your businesses, at the bottom, men of intelligence and ability with a sound, basic education. It is of course better if that basic education is more than entirely specific. For example, an engineer today must know more than how to use a slide-rule. He must also understand people. It seems to us that every business should have periodic executive audits, where each executive in the business is subjected to a scrutinizing, care-

ful audit of his assets and his liabilities. You are then able to capitalize on his assets, you are able to endeavor to improve his deficiencies and make him a better man. A third thing that can be done is a rotation of executives into different types of work, giving them an opportunity to understand the other fellow's job. Next comes training courses, and under training courses are a long list of the things that can be done, such as: techniques of counseling and coaching, reading courses that teach the men to read faster and still maintain high comprehension, public speaking courses, case studies in leadership, report writing and letter writing, conference leadership, communications training, the study of human motivation, how to develop understudies, and self-analysis and self-understanding.

In addition to these, many of our universities provide excellent graduate courses for businessmen. There is the Harvard course, the Wharton course, the one at Northwestern, one at Arden House, put on by Columbia, and the one in Canada at Ontario.

In addition, an opportunity exists through the development of business economic programs within the company. We found that one of those would be beneficial to our organization. We are presently developing, in collaboration with the University of Chicago, a course in business economic problems and geared to the needs of the Johnson & Johnson executive organization as predicated upon a survey made recently.

Then, too, there are many excellent general business magazines that are published that any man can subscribe to. The important thing about reading these magazines is that the specialist reads the whole magazine. He does not "gloss" through it quickly and read only those articles that pertain to his own specialty. As a matter of fact, he should devote more time to the other sections of the magazine. Further, we should not overlook the opportunities to us for cross-fertilization in our internal management. Sales meetings should be occasionally attended by production and financial and research executives. Production meetings should be attended by sales, financial and research executives. Research meetings should have sales and production men present. In other words, all your various company meetings should have segments of the other specialities present. It not only helps the specialized group to get a better perspective but it enables the outsider to get a better viewpoint and to enlarge his horizons. Also, don't overlook the opportunity of the small operation. The small subsidiary, the small department, where you have an opportunity to put a man on the job where he will get diversified experience on a small scale. Maybe that's the reason why this large Eastern University picked as their new president not someone presently on their Faculty or in their organization, but rather the president of a small midwestern school who had to be all things to all men.

The development of broad-visioned executives is not easy. It takes considerable time and it takes gerat patience. However, such development is the greatest producer of gross volume and net profit we know. Our ecnomic system is a dominant factor in this effort. The American business system depends upon the decisions of American management. The broader the view, the greater the understanding, and the better those decisions will be. Management's job is to see that every executive in all our organizations has every opportunity to be exposed to the whole, broad spectrum. It is the responsibility of management to strive continuously to open more doors and windows not only to greater understanding, but also to greater utilization of these principles. END.

Simplify Negotiations

COLLECTIVE AGREEMENTS ON TIME AND MOTION STUDY

by G. Jay Anyon, Ph. D.

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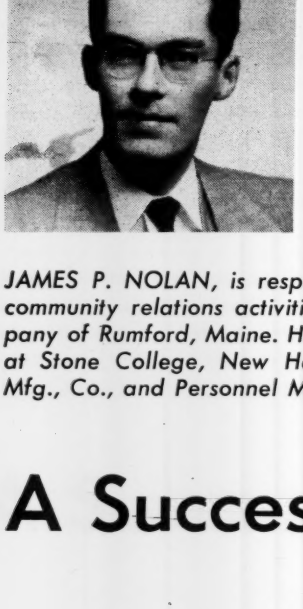
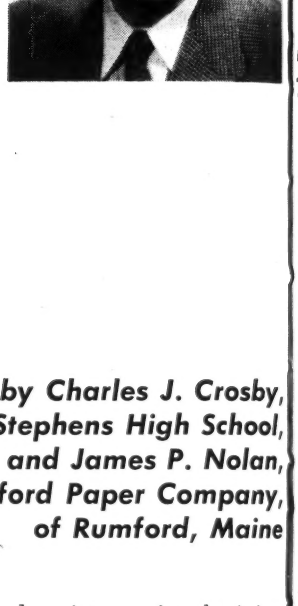


CHARLES J. CROSBY, the teacher who contributed the educator's viewpoint in the planning of this community relations program described below. Mr. Crosby spent several years in Psychiatric Research at the Institute of Living, Hartford, Connecticut, before going to his present position of Director of Guidance at Stephens High School, Rumford, Maine.



JAMES P. NOLAN, is responsible for administering the extensive public and community relations activities program sponsored by the Oxford Paper Company of Rumford, Maine. He has been an instructor in personnel administration at Stone College, New Haven, Training Supervisor of the Trumbull Electric Mfg., Co., and Personnel Mgr., of the Grenby Mfg., Co., Plainville, Conn.

A Successful Community-Industry Project

by Charles J. Crosby,
Director of Guidance, Stephens High School,
and James P. Nolan,
Training Manager, Oxford Paper Company,
of Rumford, Maine

This is the actual story of a community relations program put into effect through the cooperation of one town's educational facilities, and a large industry of the same town. It is a remarkable example of the active continuing part that modern industrial management can and should take in the progressive daily life of home communities

HERE in Rumford, Maine, we have achieved what we believe to be an outstanding step in the direction of industry-education cooperation in a program designed to benefit not only company employees and school children but citizens of the community. In reviewing this article the reader should not assume that this is an isolated instance in cooperation between schools and business in this Maine town of some 10,000 people.

In the October 1953 edition of the "Maine Teacher," publication of the Maine Teachers Association, Mr. Hudson Brennick of the Stephens faculty wrote a report covering another notable accomplishment in this field; i.e., a unit in pulp and papermaking which is now included as a part of the regular secondary school curriculum. This unit is designed to cover three phases of the manufacture of pulp and paper: (1) story of the development of paper from papyrus to modern commercial papers; (2) the development and economics of the pulp and paper industry; and (3) the Oxford Paper Company and its relation to the growth of the community. For those of you unfamiliar with the area it might be well to note that Rumford is primarily a one-industry town. Consequently, optimum relations between the mill and community agencies, such as the School Department, are vitally necessary for the common welfare. With this principle in mind, the thinking of those concerned with guidance at the high school and training at the mill is geared toward cooperative activity.

The inception of our current program began back in the latter part of July, 1953, when a young employee of Oxford, recently returned from Korea, stopped by the Training Division office for counsel and assistance in obtaining further secondary education.

The employee's story was familiar: "After I got in the service I found out how foolish I was not to have completed high school."

In discussion, various avenues of approach to the solution of his problem were considered—correspondence courses, home study, and a offering of tutoring to assist him in obtaining a State High School Equivalency Certificate. At that time he was given some textbooks to review, and was asked to stop back in about two weeks time to discuss his problem further. Following this interview and reviewing the discussion, the Training Manager began wondering how many other employees of the more than 3200 in the mill were faced with similar problems, and just what could be done to help solve them. During the second interview with this same employee, he was asked if he knew of other individuals who would be interested in obtaining equivalency diplomas if the possibility of doing so was made known to them. The employee said he had discussed this very thing with a number of other workers who in-

dicated that they would be very much interested in obtaining such a certificate. (This highlights an important point—in almost every state that offers equivalency certificates, regular newspaper announcements are made notifying anyone interested as to the time, date and place of the examination. However, with two or three exceptions, none of the group we later spoke to had ever heard of such a certificate. Consequently, the value of this type of publicity is apparently highly questionable.)

Psychological Tests Used To Judge Applicants

In becoming more and more interested in this individual employee's case, the Training Manager administered a battery of psychological tests to him and found that here was a young man of good average intelligence, slightly better than average practical judgment, and a well integrated personality who, by a set of circumstances understandable to anyone who has dealt with education counseling, failed to even enter secondary school.

Armed with this information, the Training Manager approached Superintendent of Schools Lawrence A. Peakes, and E. Stanley Kitchin, Principal of Stephens High School, both of whom are extremely interested in civic welfare and are well-known for their cooperative and progressive attitude toward all phases of education. After reviewing the situation with Mr. Peakes and Mr. Kitchin it was determined that evening courses could be established at Stephens High School after sufficient interest was shown. The Training Manager then posted notices throughout the mill requesting any employees who did not have a high school diploma and wished to obtain an equivalency certificate to report to him immediately. The response was only short of dramatic. Within the first few minutes of the posting of the notices more than 12 employees phoned the Training Division office to indicate their interest in enrolling. By the end of two weeks 47 employees requested the program.

During this period Mr. Peakes delegated the responsibility for co-ordinating the Equivalency Program to the Guidance Director at Stephens High School who worked in close liaison with the Training Division at the mill. After such enthusiastic response from Oxford employees, publicity notices were posted in the local newspaper and issued to the local radio station by the Guidance Director, and the framework of the program was established in the evening school. By the time the final enrollment was completed over 73 adults, the majority Oxford employees, registered.

The problem of scheduling classes was further complicated by the fact that at the mill many employees work on a rotating shift schedule. That is, the first week, 7:00 a.m. to 3:00 p.m., second, 3:00 to 11:00 p.m., and third, 11:00 p.m. to 7:00 a.m. so that a number of people would miss at least one class out of every three classes. How this is being handled will be discussed a few paragraphs on.

Classes were established in Social Studies, English, Science and Mathematics, the four areas covered by the USAFI General Educational Development Test Battery, which is required by the Maine State Department of Education for the issuance of the Maine State High School Equivalency Certificate. The teachers selected to conduct these classes were faced with a very practical teaching problem. The heterogeneity of the group precluded the possibility of establishing courses on any arbitrary or any predetermined educational level. Consequently, it was decided to administer the Stanford Achievement Test Battery to all registrants to determine their educational levels in the subjects required. The results of these examinations were kept strictly confidential and were discussed only with the teachers involved or with the individual.

Classes Adjusted To Fit Shift Workers Schedules

The administration of the Stanford Battery again posed the problem of mill employees working various shifts. This problem was surmounted by an agreement between the mill Training Division and the school Guidance Department to give tests at the mill to those registrants who could not attend school on the evenings chosen for its administration. Four evenings on two consecutive weeks had to be set aside for the completion of the battery, which meant that much shuffling of examination blanks between the school and the mill had to be accomplished in order to insure that each registrant would receive his own booklet the following week. The Training Division at the mill also assisted the Guidance Department in scoring and recording the test results so that the entire class tabulation could be made with a minimum of delay, thus permitting regular school sessions to be inaugurated quickly.

Cooperation Of State Agencies Increased Efficiency

Through Mr. Peakes, permission was obtained from the State Department of Education to administer the equivalency examinations at Stephens High School rather than cause this large number of adults to travel to the regular authorized testing centers—the nearest being some 30 miles from Rumford. Needless to say, this cooperation from the State Department of Education has been very greatly appreciated by all concerned.

This program has been in operation for some six weeks now with no visible mortality. Of course it is difficult to judge, when individuals must be absent due to work schedules, whether they have actually dropped from the course. However, it is interesting to note that those mill employees who missed sessions due to work schedules report before going to work on the day following the weekly evening sessions to pick up their study assignments in each subject. These assignments are sent to the Training Manager by the Guidance Director weekly. In almost every case employees missing sessions do not fail to report to the Training Division for their assignments.

The enthusiasm of the people in the courses is outstanding and comments from teachers who have never before experienced teaching adult groups bear out this statement. Only recently, two of the teachers stated that if it were at all possible they would much prefer teaching adult groups all the time. The reason for the group's enthusiasm is fairly obvious. These people, mature adult workers and housewives, are going to school to *learn*. They realize their own shortcomings and are making a sincere effort to overcome them. It is actually a very heartening and satisfying experience to engage in an educational project that is completely voluntary on the students' part and to help them achieve a goal they are sincerely striving for. We would strongly recommend to any of you readers in the educational and industrial training fields that you investigate the possibility of such a program in your own town. The results well merit the effort expended. END.

RICHARD A. STEVENS studied engineering and commerce at Tulane University, went directly into advertising, beginning with the Fitzgerald Agency as office boy, then to Tracy, Locke, Dawson, Inc., as Production and Office Manager and some account work. His next move was to the Duane Jones Cmpany as Business Manager in charge of personnel. In 1951 he went to Scheideler, Beck & Werner as General Manager, Personnel Manager and Account Executive on two accounts.

Are Human Relations Plans Like The Emperor's Clothes?*

by Richard Stevens,
Personnel Director,
Scheideler, Beck & Warner

This brilliantly-written article reveals the basic quality of successful employee-employer relations. The author admits the value of many plans, of the growing literature in this important field. Then he cuts away the extraneous matter and goes to the practical facts, telling just exactly what human feelings must lie behind every good management-employee relationship

"Your people sound as if they enjoyed working together." The visitor who made the comment had waited a few moments outside my office door and was talking quite literally. I was intrigued because I would be responsible for office noise if it ever became a problem.

"Haven't you noticed that some offices strike you as unnaturally silent and others always sound as if an office party had just gotten out of hand?" my visitor pursued. A famous captain of the Waldorf said he could tell whether a party was a success before he goes into the room. It's the pitch as well as the decibel rating. The way office morale is being studied these days, somebody is going to get a master's degree in business administration by wire recording general office noise in ten selected organizations and correlating various sound aspects with turnover, absenteeism and clerical costs."

I assured the visitor I had never noticed the particular quality of the noise our people made while working. In my thirty years in advertising agencies, I've never given or taken courses in office organization. Books on "how to handle people" have given me some ideas but never an infallible plan. I've worked in good situations and in bad situations and sometimes I've been able to help make the shop a little happier by clearing obstacles out of the way. From time to time I've speculated about what makes for good morale. But it would never occur to me to wire record the noise in an office in order to find out what was right or wrong with its organization.

The comment on our office noise set me to thinking. I got out my files of articles on personnel management and books on "human relations in industry." I talked with executives who are trying to get work out of unpredictable human beings. In short, I gave myself a sort of a refresher course. I found that big corporations are today spending more than ever on "personnel appraisals" conducted by psychologists. I read about counselling services helping employees with emotional problems that interfere with their working efficiency. Many companies are hiring outside consultants to teach their supervisors how to "handle" men, that some of them have elaborate "human relations programs" and that more money and more high-priced executive time is going into a philosophical approach to getting people to work together than into almost any other business problem. Anthropologists, psychoanalists management consultants and even astrologers are addressing themselves to the subject.

The only trouble with this concern for good working relations is that businessmen seem to be ashamed of it. The talk has the ring of an attempt to prove: (1) that being decent is so unnatural that it requires detailed blueprints; and (2) that decency is a weakness which can be excused only if you can show that it contributes to profits. And why do businessmen want to prove that they are tough and ruthless? Largely, I think, because they are not tough and ruthless. It's just that so many people have been saying that they are that some businessmen feel they ought to be.

*EDITOR'S NOTE: The Emperor hired some fast-talking weavers to make his clothes for an important procession. They spent hours on the assignment; finally brought him the garments. They claimed the fabric was magical. If a person were a fool, he could not see the clothes. The Emperor and his Court of course could see them! So the Emperor dressed in his new clothes and the procession began. The public was transfixed, silent, pretending to see the magical raiment. Finally a child said it: "Mama, the Emperor is wearing no clothes!" But it was too late. Only for an instant did the procession falter. Then, head up, the Emperor marched on in his new, invisible clothes.

The temptation to be human, however, is a strong one and it must be fought with every rationalization at hand if a businessman is to really be the monster which has been held up to him as a model.

Take, for instance, the cart-before-the-horse philosophy which holds that techniques of personnel practice create good morale instead of flowing from it. The techniques used to stem from moral maxims: "Be a good listener," "Don't reprimand employees in public." "Show a personal interest in each employee without being partial." "Praise where praise is due." "Treat each worker fairly."

Recently, the techniques have grown a bit esoteric, and they are imparted in the best how-to tradition. There's the "buzz" technique for getting groups into discussion. There's the "house organ" technique for communicating with workers, and the "gripe session" technique for getting workers to communicate with management. There are systems to aid the busy executive keep his vow to pay personal attention to the man under him. Things like periodic reviews of performance, job rotation, outside personnel appraisals. Now, there's nothing wrong with any of these techniques as techniques. Except the technique of applying them. The effort to prove that "being nice" pays is often frantic.

Profit Sharing Plan Not Benign Paternalism

I believe that motivation is the key to any method of tapping the resources of human cooperation. Take profit sharing, for instance. We have a profit sharing plan here at Scheideler, Beck & Werner because we think it's a decent and equable way to treat people. We don't use it either as an evidence of benign paternalism or to pressure people because they own a part of the business and should be willing to work harder or longer because "they're really working for themselves." I don't think you can 'buy' loyalty. You can only earn it. And a profit-sharing plan that delivers a nice check every so often, with no strings attached, is certainly one way of doing it.

The principle, I think, applies to any method. Today the Suggestion Box is widely used. But in many cases the rank and file are encouraged to make suggesstions, not because they might be adoptable, but because it makes people "feel good" when their opinions are solicited. The premise is phony. Therefore the method is phony. I think it's as simple as that.

Good Morale Worth As Much As A Good Product

Managers carrying this heavy burden of proof that they are monsters were understandably thrilled when the Hawthorne investigations at Western Electric showed that the interest of six guinea-pig wire relayers in the lighting study made on them jumped production beyond all dreams, even when conditions were experimentally made worse. The glorious news, tested by thousands of observations over a period of years, was that people liked to work because they liked to be engaged in a common enterprise. But what did some businessmen do with the finding? They bought "morale surveys" to get, as one salesman of the service put it, "not only better morale but also greater production, improved quality and increased profit." The salesman knew that his prospect wanted people to be happier, but also knew better than to say so.

Morale is, of course, a capital asset worth as much as a good product, a good location, or money in the bank. It differs from these assets, however, in that it cannot be bought or planned or installed. Morale is like love or happiness. *YOU GET IT BY DESERVING IT.* The trouble with all the systems and techniques my friends talk about is that they assume that an employee is some kind of juke box. Put in a coin of the right size and shape—a word of praise at the right moment, a raise, a ready ear for personal problems, and you"ll hear the satisfactory noise of happy cooperation.

Management literature has dinned away for a generation now on the increases in productivity to be expected from plant cafeterias, coffee breaks, profit-sharing, clean washrooms, music while you work, vacations with pay, shorter hours, visiting nurses, loan plans, recreation programs, and even a trained counsellor for help with "personal problems." Yet the stubborn fact persists that low morale is encountered in shops and offices which have adopted every one of these panaceaas. "We get treated fine," the people on the payroll tell you, "but . . . ." The thing they don't quite know how to say, in fact that they feel disloyal saying, is that they are made to feel like a piece of production equipment requiring special maintenance for best results, maintenance which runs to cafeterias, coffee breaks, profit-sharing, and so on down the line to ready access to the big boss himself. END.

I launched my cart-before-the-horse criticism on a manufacturer. He agreed, but he wondered whether good morale didn't come naturally to advertising agencies. "You're in a creative business. A glamorous business. I'll bet you can get typists to work $10 week under scale just so that they can say they work for an ad agency. Your copywriters and artists are expressing themselves. They aren't packaging widgets or checking oil gauges or writing out purchase orders or doing something else that doesn't have a bearing on the final result. Furthermore, you're small enough so that people know each other personally. They know how their jobs fit in."

An Agency's Program Is Subject to Constant Change

That would be fine if it were true. But it isn't. If anything, an agency's program is harder to keep on the track because it is constantly subject to change and because the product itself is intangible. Consider, for instance, a few essentials in making an ad:

Market research has to find out what is good about the product, who wants it, and why they want it.

A media department has to find out how to get at these people. By radio? Through magazines? Through newspapers? Furthermore, they've got to figure the relative costs of reaching the market by different ways.

The copy and art departments have to plan the campaign around a theme and execute the ads or programs that will carry the message.

Time and space buyers have to find the right outlet for the campaign.

The merchandising and production departments also are involved. Perhaps television and radio, too.

And at every step, a client representative has to interpret these various steps to the client and secure his approval of them.

Inevitably, there's friction. Take, for

instance, the "contact" man or client representative and the copy department —two functions which conflict as inevitably as sales and production in an industrial organization. We have eased this friction by systems familiar to all industry. Contact men make call reports which force them to think through the orders and instructions and transmit the whole situation of the moment to the various departments which have a part in the campaign. This protects the working departments against unreasonable pressure from the contact man. They have deadlines which the contact man can change only through force of dire necessity and through prescribed channels.

Eighty Per Cent of Agency Jobs Are Not Creative

My manufacturing friend was all sympathy. When he realized that ad agencies have scheduling problems like factories, he changed his tune about the "advantages" of creative "personnel."

"You really must have something up your sleeve," he concluded, "if you can get those Shakespeares and Rembrandts to deliver on time. We have trouble enough with our star salesmen. But everyone in your shop is a self-expressing genius!"

That's a colorful concept. But not a factual one. Eighty per cent of the jobs in an advertising agency are *not* creative. Maybe the other twenty per cent *are* different, whether harder to "organize" or easier. But instinctively I doubt it. People are people. Whatever useful work they do, they don't want to be kidded. Girls on a packaging line or in a typing pool are just as quick to sense a crocodile smile or a "human relations" system as is the most imaginative copywriter in the ad business. The only difference, if there is any, is that creative workers are less secure because their product is intangible.

Just for fun, I began applying the "rules" for good personnel practices to our own operation to see if we followed them—or to try to imagine what would happen if we should adopt them.

One book says, for instance, that a good administrator should always track down a mistake and do something about it to see that it doesn't recur. A mistake, the pundits say, is an opportunity to learn how to be more efficient in future.

Now let's see. Last "mistake" we had was an unmet deadline. The contact man said the Copy Department was late. The Copy Department said the contact man had failed to convey the correct information and the ad had to be completely rewritten before client would okay it.

Each side came in with his story. It was a simple misunderstanding. Nothing to do about it except to listen sympathetically, let the irritation talk itself out, and forget it. Of course, we could have viewed with alarm and added an elaborate safeguard to our traffic system just to be sure that particular thing would never happen again. The result would be to burden the whole operation *every day* with an extra layer of red tape in an attempt to prevent something that may not occur twice a year. That way lies confusion. Last year New York City's transportation workers achieved a slowdown without actually striking, by passing along the word to fulfill every operating rule to the letter. We can very easily become slaves to too much system and lose sight of our primary mission to turn out advertising that sells goods.

When we found that one specific department was making a lot of mistakes in figuring the promotion costs at the agency's expense, we could have fired the computers and tried to get more accurate ones. Instead we hung around for a few days and watched how they did it. We found the trouble and the answer.

This leads to another conclusion: You have to distinguish between a personal mistake and an organizational one. I suppose that the distinction improves morale, but that's not why we made it. We were interested—just as are the people in the time department—in finding out how to remedy the situation. When you credit people with as much interest as you yourself have in doing things right, you seldom have to invent and enforce new "rules."

False Praise Can Do More Harm Than Good

A book on the subject says that a good administrator is supposed to look around and spot people who are insecure so that he can give them extra praise and reassurance. We believe in telling a man that he's done a good job. But if I walked up to one of them and soft-soaped him about a job he'd just done he'd wonder what I was driving at. I shudder to think, too, what some of the boys and girls would think if nobody kicked when they did an ad that didn't come off. Praise is fine, but it has to be *meant* or it can do more harm than good.

We've never tried any of these methods nor even thought of using them because instinctively we believe that people who *want* to, will design and make good products. They will find a way to do it. People who *want to* will sell them. People who *want to* will organize efficiently, they will be proud to be a part of a good organization.

There are techniques by which these things are accomplished. All management men have read them by the dozens and hundreds. And techniques are important. But before the techniques are used, management needs to have a philosophy that it believes in. Lacking this philosophy the techniques won't work, and don't work. Before you can influence people the right way, and get them to work together, you have to have something to influence them with. You have to know what you are going to build before you start using tools.

People Need To Believe In Themselves

I believe every company president, executive, manager, supervisor, has to *be* something first, to *believe* in something first, before he can pass it on to others, or influence others. The more he believes, the greater his chance of success in influencing others, and creating an atmosphere. In lots of ways this is old hat. Salesmen need to believe in what they are selling and the company behind it, in order to make the greatest success.

People need to believe in themselves in order to succeed at almost anything. Self-confidence is essential. If you don't believe the kind of philosophy that creates the good productive atmosphere, then you can't use the techniques. If you believe that people should be governed by fear to make them work hard, fear of losing their jobs, or of being bawled out, or fear of a caustic remark—then you will not be able to use the techniques of good will.

If, on the other hand, you really believe in the people you employ, it doesn't much matter what you do. This fact of the human condition is so patent that it ought not to require saying. The small child wasn't the only one who knew the Emperor had no clothes. END.

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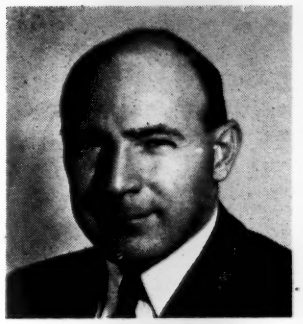

How To Teach Objective Thinking To Executives

by William C. Jackson
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Objective thinking, highly prized in an executive, has long been thought to be an inborn talent. This writer says it can be taught. He presents a brilliant new approach to a timeless, important problem which can influence both today's management executives and the upcoming generations of rising managers in business and industry

WHENEVER personnel and training men get together, the point is certain to be raised; "How can you get people to think?" Inevitably this is followed by the argument as to thinking being a product of intelligence and therefore an innate characteristic, or on the other hand, a skill which can be learned.

Most psychologists would agree that the absolute capacity to think is a facet of the level of intelligence and is derived from heredity. Likewise a man's capacity or ability to think at any stage in his life is due to his inherited capacity, and the degree to which the various factors of his environment have developed such ability.

Recognizing that most individuals, however, use only a small per cent of this intellectual capacity, it is submitted that some basic principles of objective thinking can be learned and can therefore be taught as a mental skill to most people.

In recent years we have all heard and participated in a variety of supervisory development programs. Practically nowhere does one find emphasis on mental processes included in the training programs. There have been a few abortive attempts to teach creative thinking to department heads and higher levels of management, but there are few proponents who would defend that such principles have been easily taught or easily accepted by the students. For the direct operating levels of management there have been hardly any attempts to teach principles of reasoning. To the extent that basic logical reasoning is a mental skill, it can be broken down into some fundamental principles which can be taught, in order to assist people to improve in their ability to solve problems.

In an endeavor to help supervisors and manufacturing managers improve in their problem solving ability, a course was developed covering some of the basic principles of observation and logic. This course was given to all such personnel in our company. This was done a year ago and was followed by a long series of case studies involving a comprehensive view of a supervisor's job.

Specific conclusions are not possible, but it is believed that definite improvement is being made in the orderly analysis of day to day problems.

In this course we used the theme that observation and analysis techniques are tools which are vital to the success of any supervisor in trying to handle all the phases of his responsibility. The following outlines the material which was presented in the course and which covers the elements of observation and analysis.

First we should consider the job which we give to our first line supervision, commonly called the department foreman. He is responsible for his men, their productive and non-productive actions, their morale, their pay, safety, working habits, understanding and comprehension of their job and many other related subjects. He is responsible for his equipment, its condition, use, cleanliness, and working arrangements. He is responsible for material handled, its processes in his department, its care in handling, its quality and quantity as passed through his department. He is responsible for methods of operation, their effectiveness, safety and cost. He is responsible for his area, its cleanliness, order, arrangement and its condition affecting the health and safety of his people.

From time to time, educational programs are developed to stress any one problem concerned with one of the

above responsibilities, but few programs are aimed at some basic elements applicable to most problems.

If we examine the complex job which we have given to our first line supervision, we must realize how complicated it actually is and how few tools exist which enable him to encompass and keep a perspective on his complete job. As a result, he has a tendency to overemphasize any one phase which currently is being stressed. Therefore, if we can devise some basic fundamental tools they may prove extremely valuable.

How Many Foremen Look But Do Not See?

Military parlance says that the first duty of an officer is inspection. Correspondingly, the first duty of a supervisor is inspection. By this word "inspection" we do not mean the inspection of pieces that are produced, that is, the quality inspection, although some of the fundamentals are identical. We mean simply the proper use of our senses to recognize problems as they exist in order to prevent any one of them being overlooked.

A foreman has left his department or area and returns. How many things can he check on quickly? How many of his varied responsibilities can he quickly observe just to see how things are going?

All of us are familiar with the basic human error of looking but not seeing; listening and not hearing; or touching and not feeling. In other words, our senses are aware of the problems but they do not register in our conscious mind. While all of us are born with a certain gift of perception and some have a stronger gift than others, all of us can improve the gift which we have by proper study and training. We are all aware that if a person were to lose his sight suddenly, all of his other senses would immediately become more acute because the mind consciously works at concentrating on the other senses due to its dependence on them. They become more accurate in their sensitivity in order to compensate for the loss of the one sense. The ability to perceive properly is a skill and therefore it is something which can be learned. We wish, therefore, to analyze the basic principles which we can consciously use to improve our perception.

The first principle of perception is interest. It is impossible for us to note any kind of a problem in a situation in which we are not really interested. Consider, for example, a couple that is looking at a house which they might purchase. The wife will observe the arrangement of rooms, the size of the rooms, the condition of the walls and wallpaper, the condition of the floors and the arrangement and fittings of the kitchen and bathroom, as well as the size of bedrooms and closets. The husband will normally observe the condition of the foundation, the wiring, the plumbing, the heating system, the roof and gutters and the yard. If neither one of them have experienced a particular problem on the heating system, for example, it is probable that they will not have developed a particular interest in this area and, therefore, when they inspect the heating system they will be in the position of looking but not seeing, because they will be unable to recognize a problem if it actually exists. If neither one of them is interested in yard work, for example, the condition of the yard may be easily overlooked. As a foreman considers the various problems for which he is responsible, he must have a conscious and intense interest in each of the phases of that responsibility, he cannot be interested in just one and neglect the other. In some of the fields of his endeavor this may require direct conscious effort in order to cultivate and develop an interest. If the foreman can appreciate that every one of the various fields of activity overlap in the common goal of greater productivity, he can understand that he must be interested in productivity and not being interested in safety and housekeeping and training, because all of these factors directly affect the output of the people under his supervision.

A Good Foreman Must Learn The Art of Concentration

The next area is concentration. It is impossible for us to look at one object or problem and be thinking about something else and gain anything from this superficial inspection. Considering our couple agan, if the husband is thinking about the roof while he is looking at the furnace, he will learn little from his inspection of the heating system. Let us consider, for example, a machine tool. If a machine shop foreman stops by one machine tool to look at it, he must consciously think about that particular tool in order to detect any problems which may exist concerning the condition of it. He can not be thinking about something several feet away and derive much value from his inspection of that tool.

Question-and-Answer Method As An Aid To Concentration

While we are thinking about this particular machine tool, let us inspect it. Let us think about all the things which can be wrong with it. This brings us to the *third area of perception* which is *questioning*. We must learn to ask ourselves questions at the time we are concentrating our attention on a particular problem in order to derive benefit from our inspection. For example, is the machine set up properly, is it functioning properly, are there any unusual noises, is the arrangement of the material around the machine orderly and efficient, is the operator handling himself around that piece of equipment in a safe and workmanlike manner, is the machine clean, are there any oil or water leaks which need attention, is the tool cutting properly? These are but a few of the type questions which we must learn to ask ourselves at the time we are devoting concentrated attention to a specific problem or object. These three, then, interest, concentration and questioning, compromise the principles of perception. As we devote our attention to improve in all three of these phases, we will improve our ability to have our senses indicate to us that a problem does or does not exist.

Having sharpened up our perceptivity, the fourth phase of observation is memory. In other words, we must be able to recall problems that are indicated by the things which our senses report to our mind. Vic Short of the Institute of Human Science in Chicago, in his course on human relations, dwells a lot upon the importance of memory. He makes this statement, "A good memory recalls promptly and recognizes accurately facts which were previously impressed upon the mind. Therefore, memory consists of the three factors, impression, recall and recognition." Similarly, a good observation senses quickly, *recalls* promptly, and recognizes accurately situations and problems which have previously been impressed on the mind. If we are to recog-

nize that a problem exists, for example, that a tool might be beginning to get dull. we must know and be able to recall that a tool which is beginning to get dull will produce certain results and we must know what these are. A squealing or howling sound in most probability will indicate that a tool is beginning to get dull. There are, of course, other reasons which might have the same result and which we must analyze in order to determine if we have isolated the proper cause, but it must be concluded that if we are to get any good out of increased perceptive ability, we must have a good memory in order to use that perception and to get the real significance from it. Perhaps the most important part of memory is a strong impression. You cannot recall something which is not well impressed on the mind. Impression is based upon four specific areas.

Vic Short, again, lists them as: 1. Repetition, 2. Variation, 3. Association, and 4. Concentration. Note the similarity in the method analysis of the improvement of preception and the improvement of memory. The two are closely related and interrelated. The foreman coming in contact with any problem should make a concentrated effort to impress that problem upon his mind so that he can recognize its symptoms in the future before the problem again becomes serious. The *fourth step* in improved observation is, therefore, *recalling the problem* using memory as a tool.

What Is The Basis Of Sound Interpretation?

The final step in developing good observation technique, is that of interpretation. In other words, recognizing the significance of what our senses have told us. This interpretation is based upon reasoning ability and memory. To simplify what we have said above, we must first improve our perception by developing a strong interest, concentrating our attention and questioning ourselves so we may get the significance of what we see or hear or smell or taste or feel. We must follow this improved perceptivity by a good memory so we can recall the meaning of any particular indication and we must be able to reason from our memory so that we can appreciate the importance of that significance. The five basic principles of inspection or observation are, therefore, interest, concentration, questioning, memory and interpretation. This comprises the first tool to help the foreman handle the various areas of his responsibilities.

How The Foreman Can Develop His Observation Ability

If a foreman is to gain value from his improved inspection abilities, he must pursue the last step, the one of reasoning, in order to see that he is drawing proper conclusions. This brings up the various principles of analysis. Unless he is able to analyze properly, he may often draw false or wrong conclusions. It seems logical, therefore, to consider some of the basic principles of analysis. If the foreman can develop or improve his observation ability and also his reasoning ability, he would be better able to handle the various problems that arise.

The first step in analysis is to know the problem and it would help to write it down. When we start to analyze a given set of conditions in order that we can reason concerning the significance of the conditions, we will do considerably better if we put our problem in writing. What is our objective? As we look at a given set of conditions, what is it that we wish to find out, what answer are we trying to get? Many wrong conclusions are reached by trying to solve a problem before we know what the real problem actually is. We must first know and identify the problem and it will be a distinct help to write that down so we do not lose sight of the end objective.

Step No. 2 is to get the facts. What are the known elements? What is given or known for us to use? This is the second step and it is an all important one. Many times if we know what it is that we are trying to do, that is, if we know the problem and if we have gathered together all of the facts, and we have them written down where we can look at them, the answer will be very simple and obvious. This is true in most cases of solving problems.

Step No. 3 is to organize the facts. We take all of the factual data which we have assembled and break it down into groups according to phases of the problem to which the group applies. In this way we are better able to understand the significance of the facts and the individual effect that they have on our problem.

The *fourth step* is to *list the various possible solutions.* We must first isolate the various methods of solutions which might be applicable so that we have a comprehensive understanding of the various courses which appear practicable to follow or use.

The *fifth step* is to *relate the facts and evaluate.* We take the facts as we have them classified and apply them to each of the various solutions available and evaluate the relative importance of each of the sets of data in making any one of the solutions more effective than the others. We compare the advantages and disadvantages of each of the various solutions. We are then ready to make the sixth step, which is to determine which of the solutions is the best.

A Problem Solving Technique Should Be Simple and Basic

The next step is to *decide on the solution.* This decision is an important step. Many people can do the analysis and complete a very comprehensive breakdown of all the data but fail in their ability to make a final decision.

Step No. 7 is to *try the solution*, and *Step No. 8* is to *follow up or check results.*

This outline comprises a problem solving technique. It is simple and basic. It underlies the various canned analyses such as JIT, JRT, and JMT. It is superior to any of these because it applies to all problems.

As an example, let us consider the case of our foreman who has heard one of his lathes suddenly develop a shrill squeal when the tool cuts. Because he has been sharpening his perception, he reacts quickly. Questions come to him in rapid order—Is the tool getting dull, is the tool ground properly, is the feed too fast, is the material full of hard spots, is there some element going out of adjustment, is the tool off center, is the operator doing something wrong? He goes to the machine with this problem "Is the squeal indicative of something serious or is it minor"?

As he checks the machine he gets the answers to his various questions. The material is running uniform in composition. The tool has cut many pieces already and examination of the tool shows that the edge is beginning to dull. Other elements seem to be in order.

This bring the problem to a further development. Should the tool be changed

now or not? Normal company policy says "yes". Change it now because resharpening can be done with the minimum loss of time and stock and high quality parts are surer with sharp tools.

In this case there are only five pieces left to run out of a lot of 200. At the end of the run there will be a completely new set-up. Quality now being produced is acceptable. A new tool should cut about 100 pieces before needing replacement.

The foreman makes his decision to retain the present tool. Note: (Note here that had the quality been tending toward the doubtful side and if experience showed that a new tool would cut only about 12-15 pieces before needing replacement, the decision would have been to replace the tool. Observe how the foreman weighed the pertinent facts before deciding.)

He instructs the operator to give particular attention to his finish and to check carefully that he is producing within proper limits while he completes the schedule. He explains that normally the tool would be replaced as soon as the dulling became evident.

The above example seems simple. To the experienced machine shop foreman, it is almost obvious as just straight common sense. In fact, any problem broken down into its logical steps will appear too simple, too much just plain "horse sense" to carry a story of teaching analysis. The biggest difficulty in presenting a method approach to ANALYSIS is to get across the point that the same process of logic will work on all problems. The experienced foreman will follow a case like the one outlined above almost automatically and yet fail to do the same procedure on a human relations or materials handling problem.

As we consider the principles of analysis, we can recognize that analysis is simply an orderly sequence of mental steps which will produce logical conclusions. It means starting from a clear understanding of what is *not* known and a clear understanding of what is known and then reasoning to determine what can be done with this information and then checking results. We should learn to first ask ourselves what is the problem, write it down. Ask—Do I have all the facts? Write down those which we have, write down what we need and then set a plan to obtain it and then when we have all the information, decide on a solution, *try it out*, and *test results*.

These are the simple steps of analysis. They are common no matter what we are considering, but it is amazing the number of people who do not follow these logical and orderly steps in order to reach proper conclusions. Most problems solve themselves when we have a clear understanding of the problem and a clear understanding of the facts we have available.

We would, therefore, conclude that if we can improve our ability to perceive and observe and our ability to reason logically to proper conclusions, we will get the most out of every contact that we have with any area of our responsibilities.

Since giving this discussion to our foremen and assistants we are convinced that they are doing a better job of detecting points of trouble before they grow into major difficulties and they are analyzing better, coming up with more right answers. The course has had another benefit in reducing the time of meetings. Discussions are more objective and there is a noticeable improvement in keeping the discussions on the subject.

How Industry Is Using

SAM Rating Films...

- Reduce time, cost of time study training
- Select trainable applicants at Personnel
- Strengthen union's confidence in time study
- Reduce, expedite grievances
- Increase rating skill and consistency
- Build standard data
- Derive predetermined times
- Set new standards, audit old ones
- Explain philosophy of time study technique
- Help company make its own films

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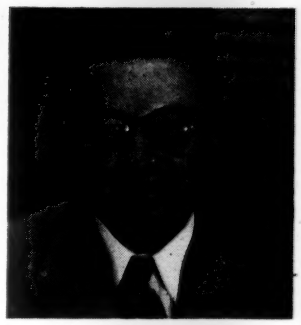

Management's Basic Function—Policy Formulation: Part II

by John B. Joynt, Manager
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This article, Part II of a series on policy formulation, tells of the preparation, coordination, and distribution of policy statements, after the fundamental abstract work has been done. Here the author tells just how the theory of policy is turned into the material and implements that make it work, from making up manuals to the saving of executives' time

PREPARATION *of Policy Statements and Manuals.* There is no one best pattern for preparing and distributing policy statements. Normally, the same pattern will apply to both policy and procedure. Each organization must develop its own plan so that it fully satisfies its own requirements. It is important that the policy be reduced to writing and be made available to all concerned. Some companies have a basic manual covering all corporate policy, and a series of individual manuals which cover both departmental or operating policy and procedures relative to particular functions, such as Industrial Relations, Purchasing, etc. In some instances the basic corporate policy is also included in these functional manuals. This may result in slight duplication, but this is not serious because the basic policy statements are broad and seldom revised.

Preparation of a complete manual, either a basic policy manual or a policy and procedure manual covering a particular function is a time consuming undertaking.

Frequently, therefore, the basic policy manual as well as the various functional manuals are built up through the issuance of individual policy and procedure statements covering a particular function such as training. Such administrative communications may be called Policy and Procedure Circulars, Regulations, etc. What they are called is not important. The advantage of the individual circular or regulation approach is that certain aspects can be reduced to writing and put into effect as soon as conclusions are reached, and at some later date all such administrative communications may be rescinded through the issuance of permanent manuals. This, however, should not be postponed too long.

One of the most important areas in policy developments, for example, is the field of personnel and industrial relations. To completely cover this area normally requires three types of policy and procedure manuals all of which are closely related: 1. *Industrial Relations Policy and Procedure Manual,* which covers the basic personnel policies and related procedures, 2. *Supervisor's Handbook,* which gives to the supervisor or foremen the particular policies and procedures he needs, 3. *Employees' Handbook,* which in easy to understand language, gives to the employees those policies of interest to him. Frequently separate employees' handbooks are prepared for hourly and salaried employees, as the personnel policies for each group may differ.

Preparation of Policy and Procedure manuals is a responsibility of the systems and procedures man. Such an individual may be located organizationally in the department responsible for the policy and procedure or in a separate systems unit. Nevertheless, the specialized skill of the systems man is important.

Coordination and Review. Some organizations require all policy statements to be reviewed by a central staff unit in advance of their release. Others review them at some central point after release both for information purposes and to insure that they are properly coordinated. Still others require no review or organized approach to insure coordination. Review before release is the most effective method of control. The post-release review has the advantage of decentralization of authority and responsibility yet insures coordination and control on a post audit basis. Failure to review or coordinate policy statements is a dangerous practice. Where several organization units are affected, the final

review and approval will normally be above the organization level of the several organizational units affected.

Coordination is important, but the process should not be so complex as to delay the formulation of policy. When the formal process becomes too complex there is a natural tendency to by-pass entirely the established channels and to resort to bootleg tactics. Obviously this should be avoided. The concurrence process should be fixed and limited to those individual approvals actually needed. It should help, not hinder, the process of policy formulation. Because of the close relationship between policy and procedure the same concurrence policy will apply to procedure establishment. Furthermore, it is desirable to consider both policy and procedure at the same time.

Approval. If basic corporate policy is a reflection of the management philosophy and considered judgment of the Board of Directors or the company's management, such policy statements should be issued over the signature of the Chief Executive.

This does not preclude the issuance of departmental or divisional policy by the head of such organizational units. But it is essential that there be no conflicts in fact or in spirit with the basic corporate policy. It is important that the process of coordination be completed before the statement is submitted to the approving official.

Various Stands On The Matter of Policy Manuals

Distribution and Maintenance. If policy statements are to become the basis upon which action is taken, their distribution should be broad, not limited, Policy manuals and statements should be distributed to all organization units concerned with the particular policy. Because of the nature of the policy statements, some will be distributed on a company wide basis whereas others may be given a limited or special distribution. Policy manuals will normally be developed in loose-leaf form to facilitate their revision.

Policy manuals to be authentic should be maintained on a current basis. Some organizations issue changes in the form of circular or other media at the time the policy change is decided, and at frequent intervals revise the policy manual and rescind the circulars. This has the advantage of permitting changes to be made quickly—even verbally when necessary. Other organizations revise the entire policy manual to cover a series of changes.

All Concerned Should Participate In Policy Formulation

Introduction of New Policy. As mentioned above, it is important that the individuals concerned understand the policy and the underlying reason why it was adopted. Acceptance will be enhanced if the individuals concerned participate in its development. If the policy affects every individual in the company, it would not be practicable to consult with everyone short of an attitued survey. If they are affected, nevertheless, they should be familiar with the policy and the reasons for it. Introduction should be the responsibility of the line official with the aid of the staff official if his services are needed. Such orientation conferences as may be necessary should be arranged to insure that the policy is thoroughly understood. If the official introducing the policy does not know all the answers, it is his responsibility to find out, and in turn communicate the proper information to his people. Some companies issue information Bulletins to all personnel explaining policies having broad application.

Flexibility vs. Compliance. The application of policy may vary somewhat depending on circumstances, but such variations should not be inconsistent with the intent and spirit of the basic policy. Deviation from policy should be made when there are justifiable reasons, but these exceptions should be limited. If there are frequent variations the basic policies should be reviewed to determine if they are workable. After all, one of the underlying reasons for policy is uniformity.

Follow Up. Neither acceptance nor the effectiveness of policy can be taken for granted. There must be an organized follow-through to insure that the policies are sound and to make such modifications and revisions as are frequently necessary under the test of actual operating conditions. Line officials who are carrying out company policy should not sit back and take the position that their only job is to follow instructions established by higher authority. They are a very strong and important part of the management team and it is their responsibility to communicate up the line those things that in their opinion are in the best interest of the company. Frequently, they fail to do this because they fear they will have their ears pinned back.

Solicitation of new ideas is a responsibility of the chief executive working through his key line and staff subordinates. It is his responsibility to see that team work and two-way communication becomes a reality, and not just another management expression. Freedom of communication and encouragement of suggestions should be a foremost policy in itself.

Lack of Courage to Commit Themselves in Advance. Some managements prefer to look at each case or situation individually as it comes up because they fear that their predetermined opinions might not be tailored to fit individual circumstances. If policy is established broadly and with sufficient delegation of authority to act within the intent of such policy, this will not occur.

Necessity to Comply With Its Own Policies. Sometimes policy is not reduced to writing because it will be necessary for management as well as the others to live up to the policy. This has the effect of perpetuating certain group distinctions within an organization which are contrary to our democratic principles of management. One of the best ways to insure compliance with any policy is for the President and his key subordinates to set the example.

Checking Internal Audit Programs For Effectiveness

One method of checking on compliance is through an internal audit. Most internal audit programs, however, check on those phases of the business which have financial implications. Over all check as to the effectiveness of policy as well as compliance may be accomplished through a "management audit". Such audits are being conducted more and more. Both company audit staffs and outside consulting firms are used for this purpose.

At Enka, we have not yet undertaken a management audit program. We plan to conduct such audits, however, on a participating basis with each department head assisting. Under this approach they will participate in determining the appraisal factors as well as an evaluation of the effectiveness of departmental

operations in the light of such factors. We plan such audits after our policies and procedures have been reduced to writing and installed.

Outside Audit Of Value Under Right Conditions

In addition to the internal management audit, it is desirable to have an outside audit by a highly qualified firm approximately every three or four years. But this is not recommended until the company itself has completed those improvement steps which it deems desirable. A management audit is not only an excellent technique to insure compliance with policy and policy improvement, but it also keeps management on its toes.

Fear That Policies are Not Sound. Some managements are afraid of their own policies. They fear that they are not sound. They lack courage to have particular policies thoroughly scrutinized as it might expose weakness. For this reason, they sit back and delay any attempt to thoroughly study and reduce their policies to writing. This attitude in itself reflects a definite need for careful policy consideration.

Inertia. Policy determination is a tough assignment. Even though actual policy statements may be drafted by members of the supervisory staff, it requires management effort. Policy formulation is not a quick job. It must be a cautious and deliberate undertaking. An organization must not rush into new policy without giving those individuals concerned an opportunity to study and make contribution to the policy, and to consider its full effects. Delaying such a task is easy. Sometimes the delay stems from management not being able to reach conclusions. But the analysis and formulation of policy should not be deferred indefinitely. Instead it should be approached in a careful manner.

Complacency. Some organizations feel that they are too successful to spend time on policy formulation. Because of huge profits they sit back and take it easy. Complacency can be the cancer of business. The unfortunate thing is that complacency in many companies exists at very high levels — even with some Boards of Directors. Sometimes it requires a crisis of some character to jolt such indivduals out of their complacent attitude. Well managed organizations are constantly seeking ways to improve. The record growth of professional management associations is an indication that management complaceney is declining.

Every Department or Division is Different. Some organizations defer policy formulation because it is too difficult to develop a policy to fit several departments or divisions. If department and division heads participate in policy development, it will be possible to determine whether a uniform policy is practicable or not. Basic policies are normally broad enough to apply to all organizational elements. Sometimes it is necessary to vary the procedures because of different circumstances. But policy must above all be practicable, attainable and acceptable. Varation among different departments or divisions is sometimes desirable. But we should not accept, without thorough examination, the assumption that all departments and divisions are different and should be given complete autonomy without any guidance or control by the chief executive who assumes overall responsibility for all phases of the business. On the contrary, we should assume that an entire organization can function under a uniform policy and we should justify deviation.

Argument That Written Audit Stifles Initiative Debatable

Fear That Written Policy Statements Are Restrictive. Some people have the erroneous concept that to reduce policy to writing, places an individual in a strait-jacket; that he is then deprived of the opportunity to think things through and develop a solution of his own. They also advance the argument that they want their department and division heads to have complete authority, be entirely autonomous and in no way be restricted by written policy.

In answer to the argument that written policy restricts or stifles initiative, I say the opposite is true. Like proper organization, good policies give an executive a framework within which to apply his initiative—it gives him a basis which to act on. Too often the lack of definite policy prevents persons from assuming initiative for fear that some unwritten law or practice forbids it. Policy may often mark the "No Parking" spots but it also clears the places where parking is permitted.

With policy definitely determined and authority and responsibility fixed, an individual is free to make decisions. This eliminates entirely doubt as to who is responsible and it provides the criteria for taking action.

What Makes Policy Effective. Since policy establishes the framework within which the day to day functions of an organization may be carried out, it should be based on principle, not expediency. Policy should be a statement of attitude, perspective and objectives which govern repetitive operations. Basic policy statements should be so broad as to require only infrequent revision. They should be written in language which will not be misinterpreted. Policy may be established by formulization of past practices, but such practices should be thoroughly scrutinized to insure that they are sound before they are accepted as policy.

Must be in Writing. In a small organization decisions may be carried out on an informal basis. The top man may even know all the people in the organization by their first names. But where an organization grows in size, and the problems of administration become more complex there is need for a more formalized approach. Certainly many corporations and nearly every department in the Federal Government have reached this position. If we accept policy formulation as a basis for sound management it logically follows that policy should be carefully considered and not based on "off the cuff" opinions. To accomplish this, it must not only be given proper thought but it must be reduced to writing. Furthermore, this is the most effective way to crystalize ones thinking. It subjects policy to a more thorough analysis than otherwise. Written statements provide a basis for: 1. Discussion, clarification and crystallization of individual and group thinking, 2. Common undertaking, uniform interpretation and consistent application as to intent and purpose of policy, in the absence of which different executives may handle the same thing differently. In assigning responsibilities and delegating authority it is sometimes desirable to fix responsibility for interpretation of policy with officials within their assigned area of responsibility, 3. Reconciling differences in attitudes and opinions. Frequently executives may change their attitudes or opinions under the impact of certain circumstances rather than on the basis of valued judgment. Sometimes this is justifiable, but frequently it represents an unpredictable individual who blows hot and cold as each new decision is

made, 4. Communication of management philosophy, intent and purpose, 5. Review and revision of policy in the light of changing conditions. Policy changes with time and new circumstances. Policy should be a living thing and not an infallible rule for all time, 6. Coordination and control policy, 7. Correction of unwarranted and undesirable practice, 8. Improvement in moral through participation and knowledge that sound practices exist, 9. Basis for developing work programs to carry out major projects. 10. Development of written procedures by which policy may be made effective. This is one of the most important reasons, as policy by itself is frequently not effective without procedures to carry it out. One of the best approaches to the analysis of policy is to analyze the procedures. By charting the flow of all the forms and the action taken on each copy, policy and procedure may be studied and improved at the same time. Experience in organizations with good systems and procedures departments indicates this to be the most desirable approach, and, 11. Consistency —no one can remember everything. The Engineer, for example, has a handbook —he can't remember everything either but he knows where he can put his finger on Engineering data; the same applies to policy.

Policy Should Reflect The Corporate Character

Must be Understood, Accepted and Easy to Apply. Policy must not only be fair and just, but must seem fair and just to the individuals affected. To accomplish this, there must be a thorough understanding of the policy. To reach such an understanding it is frequently necessary to have a knowledge of the underlying reasons which prompted the adoption of the policy. Participation in policy development by the individuals concerned provides a basis for such understanding as well as acceptance.

Policy should be a reflection of corporate character. It should represent an opportunity to display integrity of purpose—down-to-earth logic. If policy is to provide a basis for which day-to-day practices of the business may be carried out, it must be easy to apply.

Statement Of Policy Must Cover All Viewpoints

Must Have Management's Support. Policy should be a sincere expression of the management's philosophy. Management should not say something and do something else. Policy should not represent the views of certain factions within the management group. It is better to defer the formulation of a particular policy than to issue a statement which does not represent the views of all or at least a substantial majority of the management group.

Management must have the courage and the intellectual honesty to live up to the policies it promulgated even in the face of unpleasant developments. A management which is not prepared to face the consequences of its own policies is weak.

Policy should be adhered to, and management must have the courage to see that its policies are followed. Nothing can do more to destroy confidence in management than for individuals down the line to feel that its management will not take a firm position in seeing that policy is enforced. Management should be firm, but not dictatorial. This in itself is an excellent reflection of corporate character and principle.

Must Conserve Executive Time. Policy formulation should permit executives to delegate authority and responsibility and at the same time establish such controls as may be necessary to insure satisfactory results at all levels of operation. Sound policies should free executives from detail and day-to-day decisions which could be handled by others, thus conserving executive time.

Conclusion: Many organizations have sound policies and procedures. Because of their foresight they are in a very fortunate position. We envy them.

Other organizations almost disregard policy and procedures. They pass it off as a new fangled idea. They get by without it, so why bother. Maybe the good times have been a factor in keeping them in business. As systems men we may have our fingers crossed.

But the large majority of organizations not only recognize the desirability of written policies and procedures, but are anxious to do something about it. Any management which desires to improve its policies and procedures should consider several things: 1. Management must recognize the full significance of the undertaking. Its implications are broad and far reaching. Management should *know what* it wants to do, 2. Management should determine the basic goals it seeks to reach, as well as the best approach for reaching them. It must have the necessary *know how*, 3. There should be a genuine *desire* on the part of management to develop and follow through on such a program. It must do much more than pay lip service to such an undertaking. Management must create the proper atmosphere which motivates its people to do a better job, 4. The entire organization can and should *participate* in the formulation of policy and procedure. Participation should be real and genuine.

To systems men such a program presents both a challenge and an opportunity. An opportunity to take a more active part in our management. An opportunity to provide a real management service to our key line and staff officials. An opportunity to do a bang-up job. Let us accept this challenge, and do the job well. END

SCHEDULE OF NATIONAL MEETINGS—1954-55

September 18, 1954	Executive Committee
October 30, 1954	Board of Directors
February 12, 1955	Executive Committee
April 30, 1955	Board of Directors
May 28, 1955	Executive Committee
June 25, 1955	Board of Directors

E. BONAR LINDSAY, associate of the J. Edgar Dion firm of Consulting Management Engineers, undertook this survey while he was Assistant to the Director of Manufacturing of Fleet Manufacturing Company, Ltd. Formerly Chairman of Labor Management Production Committee of Canadair Ltd., Mr. Lindsay is also a member of the Engineering Institute of Canada and the Association of Professional Engineers of the Province of Ontario.

Survey Of A Growing Problem: Foreman-Management Relations

by E. B. Lindsay, Associate
J. Edgar Dion Company

It has become increasingly apparent over the past few years that top management is facing a serious foreman problem. This is a four-part analysis of that problem, to assess what steps are being taken by industry to meet this management dilemma, to provide the readership of ADVANCED MANAGEMENT with some standards and guides by which to measure their progress and to guage their own and their company's positions

MANAGEMENT is increasingly aware of a serious foremen problem. It is encouraging to note that top executives in almost every progressive firm and industry are not only conscious of, but actively persuing a program of promising attacks aimed towards alleviating the situation. These attacks vary, but the principal targets are all the same—(1) adequate compensation, (2) free flow of communication and (3) building the foremen into and making them a part of the management team.

The foreman's nose is out of joint: His interests have been short-circuited. Many of his prerogatives have been taken away. His authority has been reduced. His margin of financial compensation is less pronounced. He is denied the privilege of sharing, in the true sense, management's problems. He is begrudged the right to unionize. And yet he is still shouldering the prime responsibility of getting out, as economically as possible, an established quality and quantity of goods in a given time.

The foreman, who visualizes himself as being surrounded by specialists, does not recognize that he himself is becoming a specialist. His speciality is in dealing with and leading human beings, motivating, organizing, co-ordinating, directing, controlling, instructing and getting co-operation from workers. He has a very big job, a tough one, which is made more and more difficult by the increasing complexity of modern machines and industrial methods and processes.

It is small wonder then that tradesmen or workers are often reluctant to accept the promotion to foremen, recognizing it as a promotion to a tougher, poorly-compensated, complicated, red-tape-infested and grievance-ridden job.

A number of events have led to this disturbing foreman situation. At the close of the first Great War the influx of thousands of raw inexperienced young men into industry, along with those who were tradesmen before the war returned to find that technological advances had left them far behind. Then in the 20's and early 30's there was the industrial boom followed by depression which led among other things to the rapid growth of unions, and to the birth of the efficiency expert. These changes produced conditions which led to insecurity, discontent, discouragement and unhappiness for the foremen. They no longer felt or were treated as a part of management. The unions absorbed some of their prerogatives and pointed up the fact that they were neither on the management team nor on the workers' team. Then the advent of "big business" with its growth in the size of work forces stretched out the organizational distance between supervisory levels and executive levels in management. Finally the birth of the "efficiency expert" resulting from the foreman's inability to cope with the ever increasing complexity of modern industry, was the fore-runner of specialization and of staff specialists such as: the time study man, the methods man, the layout man, the industrial engineer, the production control man, the quality control man, the personnel director, the training director and others, all absorbing some of the authority hitherto prerogatives of the supervisor. And while his prerogatives were disappearing so also was his stature in the organization and in the community as was also his self-respect and his sense of security. Adding to this confused and unhappy foreman situation were the introduction of many state and government laws which almost invariably sided with the predominance of voting power — the workers, leaving the foreman more than

ever in this industrial dilemma.

The second Great War made matters worse. Many new, untrained, ill-equipped and poorly chosen men were pushed into foreman jobs as a stop-gap measure to fill the crying needs of war industries. It was thought that many of these men would go back into the ranks of the workers after the emergency was over and therefore still more of the supervisory functions were turned over to specialists.

Foremen Earn Less Than Many Workers They Boss

The postwar period produced a production boom of commercial goods in America such as has never before been known to man. The high overtime pay of the production man continued to be as substantial as it had been during war time, and yet the foreman's weekly pay cheque made no allowance for his many extra hours of work, so that in many cases, because of the wage freeze, the foreman was actually earning less than good production workers. Then too, paid vacations and paid sick leave are no longer exclusive benefits to foremen and neither are pensions or old-age security policies. The workers enjoy all of these fringe benefits in about the same measure as their supervisor.

Management now refers to the foreman of today as "The underpaid, underprivileged, uninformed, confused, insecure member of management".

These five words, underpaid, underprivileged, uninformed, confused and insecure are the keys to the whole foremanship issue. Once these keys are recognized and understood the solution to the problem becomes self-evident. They are underpaid and underprivileged; then provide them with adequate compensation; and don't neglect overtime. They are uninformed; then communicate with them. They are confused and insecure; then build them into the company and into the management team.

Here is how leading industrial concerns are meeting and solving the issues.

Compensation: A great number of companies have discovered that a surprisingly large portion of the rank and file workers are *unwilling* to become foremen because the pay increment is not enough greater to be attractive. Consequently some companies are maintaining differentials up to 30 or even 35 per cent.

Some firms pay incentive bonuses to foremen along with other management and staff people. These incentive bonuses often take the form of "Profit Sharing" extras. This method has proved to be particularly effective in industries where units of output cannot be easily measured by departments.

Other companies are paying their supervisors for overtime hours, as well as an adequate basic pay differential. This overtime pay is usually based on straight time calculated from the foreman's salary and is paid to all foremen and assistant foremen for all overtime when such time justifiably exceeds one hour per day.

The most progressive corporations recognize further that compensation in the pay envelope is only one segment of compensation in the true sense. Genuine recognition in the form of sincere praise for a job well done means more to the soul of average man be he president, manager, foreman or worker than any other one thing. Sincere praise provides the spark of incentive, of drive and of enthusiasm for the job and the company.

Three Steps Are Needed In Proper Elevation Of Foremen

True compensation takes still other forms. Little privileges, even a little paternalism, goes a long way towards raising the status, stature and the morale of the supervisors. Such things as foreman's office, conference, lunch and coat rooms, desk or tables, a distinctive foreman's cloak or jacket, being put on the mailing list of the top notch technical and management publications and having access to a company library on supervisory and management literature are all steps which are being taken by progressive managements in an effort to elevate, in a superficial sense, the status of the foreman. Please note that this elevation by compensation is largely superficial and is only the first of the three steps of (1) compensation, (2) communication and (3) management team building. All three steps are needed for the effective solution of the foremen dilemma.

Communication: Communication is a two way street. Top Management executives are only now beginning to realize that it is just as important to be understood as it is to understand. The emphasis today in management is on two-way or multilateral communication. Not so much of the old handing down of one-way edicts, orders and instructions.

There are two separate phases to the new type of industrial management communication. The first phase is the job problems and planning discussion and conference with all members of the management team. The second is informational communication—the supervisors telling executive and staff management how the production job is going; staff people telling the supervisory management and executive management the results of their studies, surveys and programs; executive management in its turn keeping the staff and supervisory people informed on the progress and status of the business enterprise and on high level company policy.

Two Main Advantages Of Conference Method Of Discussion

The conference method of job discussion is rapidly gaining in popularity. It has two main advantages; first is the pooling of brain power and industrial experience of all levels of the enterprise's management, and second is the elevating of the status of lower echlons of management and keeping all fully informed on the existing conditions and on developments. The chief disadvantage which companies have found with these conferences is that they tend to become long-winded and drawn-out and the time thus wasted is usually the most costly and important business hours in the organization.

The methods of "informal communication" vary somewhat from company to company.

In the older and more dictatorial organizations the method frequently used is what might be referred to as the "Factory Manager's Weekly Review" where supervisors come one by one and review with the factory manager and sometimes one or two selected others the progress over the past week. The advantages of this method are that the factory manager keeps right up to date on events, progress and problems and very little time is wasted by any of the participants. There are however, several disadvantages, chief of which is the fact that communication tends to become one-way with top executives soaking up information but giving none out to the supervisors. Another big disadvantage is that only a selected few are present

and much valuable information becomes "pigeon-holed". The discussions tend to become formal, rapid-fire quizzes forcing the foreman into a tense, defensive, rationalizing, noncommunicative frame of mind. Futhermore, there is a strong tendency in these discussions for the selected few to become fewer and fewer and for the few to pass along less and less of the information to staff people to whom it might be valuable and important.

Various Approaches Used To End One-Way Communication

A number of businesses have attempted to overcome the tendency of one-way communication from supervisors to top executives by opening up another parallel avenue for the transfer of information in the opposite direction. This new or revived medium has proved very effective in almost every case reported. Here are some of the approaches being used: a President's Newsletter or a Management Newsletter, a summary of Financial or Business Progress (whether or not it be encouraging or discouraging). News Conferences (for business and industry news only), Posters and pamphlets in the staff or management dining rooms, Annual Reports, Training or educational refresher courses with all of management in attendance and participating. (Detailed discussion of training and educational programs, delt with as a special section in the original report of this survey, have been omitted from this condensation. Copies may be obtained from the author.)

Another communicational approach which is favoured by some companies is the weekly written report summaries. The foreman writes a summary report to his department head of work progress, work status and current or anticipated problems with action taken or possible solutions. The department head writes a summary report of the departmental work progress, status, planning and major problems (current or anticipated) to the factory manager and other top executives. The upper echlon of management reciprocates with its business summary in the form of Management Newsletters and similar written documents. The beauty of this method of communication is that (1) with careful distribution only those to whom the information is useful will get it, (2) the report writer can plan and budget his time so that the report will be written during slack periods in the day, and similarly the report can be read by recipients when the time is available, (3) the report, because it is written, will be concise and definite and it will form a permanent record and a stimulant to improve performance which will serve as a reminder and can be referred to at any future time, and (4) it builds clear thinking top management men for the future. The weeknesses of the Weekly Report Summary are that (1) it eliminates spontaneous co-operative solution to current problems, (2) it takes away the desirable element of personal contact, (3) many people find it tedious and difficult to express their views in writing and some even fear the possible criticism, and (4) it takes considerably longer to write about a situation than tell it verbally and furthermore it is sometimes difficult and awkward to clear up misunderstandings or misinterpretations that occasionally occur.

The solution to the problem of inter-organizational communication which seems to have been the most successful in both medium and large industrial firms is a combination and compromise between the Weekly Summary Report and the Job Conference, with the conferences being kept to a minimum, not so much in number as in length.

Most Important Step In Solution Of The Foreman Problem

Building the Management Team: Finally we come to the last and probably the most important step in the solution to the foremen problem, that of making these supervisors management concious and conscious of being a part of the management team. It is obvious that both compensation and communication which have already been reviewed, are a part of the task of building the foremen into the management team but these are only the preliminary steps. It is surprising and startling to discover that this last important phase of organizational integration has been both neglected and conscientiously avoided in some instances, by even the most progressive of managements. When asked the reason for this neglect the answer most often given seemed to be either that the top men were to busy, or it would be molycoddling and paternalism, or that they couldn't see how it would pay for the effort involved or do the company any good.

How To Train Supervisors To Be Management Conscious

Let's look at the cost and effort side of the picture first. Obviously every company is in business to make money. To be cost and economy conscious the foremen must of course be conscious of and recognize his stake in the enterprise. To be cognizant of his most important role of controlling and supervising the workers, the producers, the money makers of the business, the supervisor must be management conscious. And making these foremen a part of the management team is the most important step that can be taken to ensure a loyal, robust, happy and financially secure business enterprise. Futhermore, it is probably the best way known to build future department heads, factory managers and other top executives. As an example the Canadian Pacific Railway which has yearly shamed financially and operationally its government-owned and operated competitor is run by men who have, for the most part, risen from the ranks, men with ability, intelligence, enthusiasm and ambition, men who, in many cases being denied formal education had the spark of initiative which led them through the envigorating self-disciplined and sacrificial process of self-education—leading to such positions as comptroller, traffic manager, sectional vice president and even to president of a division of the Canadian Pacific Travel System—largest in the world. These men grew with and were built into a management team.

The best management consultants in America seem to agree that the most important step in building a management team is for top executives to share with lower echlons of supervision and administration their problems and headaches. "Let your foremen worry out your detailed problems, let them have your headache for a while, they'll love it, and will probably come up with better answers than you would", says Professor Ben Lindberg, Management Consultant and member of the Staff of the Harvard Business School.

This whole idea of sharing problems is a philosophy of consultive administration and supervision which puts emphasis on human dignity through respect and

utilization of intelligence and experience. The purpose is for the encouragment of increased productivity and ultimately for the personal gain of all participants. The object is to create in every last member of the management team a healthy motivation and a want to do that extra bit that so often means so much towards success.

It has been indicated by many studies over a number of years that the average individual's performance or output is somewhat less than 65 per cent of what is considered a reasonable standard of what a person should do in a given period of time. It is believed that these figures are representative of the output of department heads and supervisors as well as that of the workers and machine operators on whom these studies were most frequently done. It is believed by those who are regarded as leaders in "consultive supervision" such as General Foods Corporation that in order to close that big gap between 65 percent actual performance and the 100 per cent that is reasonably possible one of the most important steps is to create a genuine feeling of greater participation on the part of every employee, department head, foreman and worker. The typical individual will, undeniably, give more if he feels that he is "in the act" and "a member of the team" rather than simply one of the cogs in the business machine.

The companies who practice consultive supervision generally accept and follow these basic rules:

1. The President, General Manager and Production Manager must accept and practice consultive supervision methods remembering that subordinates are apt to deal with those they supervise as they themselves have been dealt with.
2. Subordinates must feel free to say so when they see some arrangement which they believe is not the best one. They should be encouraged to work out a more satisfactory solution but should be discouraged from making only destructive criticism.
3. Every leader should review this or that problem from time to time with those who report to him, and occasionally take along a subordinate to meetings with other supervisors,—particularly if the individual is keenly interested in or affected by the question to be discussed.
4. "One-man shows" should be frowned upon while the development of subordinates who have the ability to think and contribute ideas should be encouraged.
5. All management should be convinced that when asked a question to which they do not have the precise answer it is better to say "I don't know. But I can and will get the right answer for you".
6. The factory and staff offices should be visited occasionally and members of management should chat informally with employees, asking their ideas and opinions on matters of interest to them.
7. And finally, every sensible straight-thinking executive recognizes that the foremen, to be effective, must have both authority and responsibility in significant matters. The authority must parallel the responsibility. Enough authority to adequately handle that for which he is to be held accountable, but not so much that he will be tempted to give decisions on matters outside of his own sphere of liability or duty.

Another method that is being used by various companies to encourage the induction of the foremen into the management team is by allocating to them certain definate extra responsibilities outside of their on-the-job routine. The usual approach is to form various committees to handle management tasks such as a Guard Committee to take precautions against sabotage and subversive activities, Safety Committee, Fire Protection Committee, Plant Inspection Committee, Grounds Committee, Intercommunications Committee, Suggestions Committee, Public Relation Committee and Training Committee. In each and every case the members of these committees should and do tend to become plant and management conscious. Futhermore, in each case such groups would help to ease the load of some staff or executive function and at the same time prepare themselves for advancement up the management ladder.

The wartime Labour Management Production Committee in Canada and its American counterpart the Labour Management Committee, sponsored by the War Production Board, are outstanding examples of how production conferences can, if properly organized and run, unite all levels of a business organization and induce them to accomplish objectives and achieve levels of quality and production that had previously been considered impossible.

In review then, we see that there are the three essential lines of approach varying somewhat in form that industry today is taking to solve the supervisory or foreman's dilemma (1) compensation, (2) communication and, (3) building a management team. And by taking these steps management is not only solving the foreman problem but is also building loyalty, understanding, co-operation and renewed vitality and motivation throughout the whole organization. END

The Theory and Practice of Administration

In the social sciences there has been a serious gap, except where administration is involved, between the theorist and the man who must act. As a result, our social science theory continues to be detached from reality. There is great need for a new social science, namely, the Science of Administration, where social theory and action must meet. Administration as conceived in this paper is, therefore, a social science with its own techniques, its own abstractions clustering around the concept of action throough human organizations, and its own problems of theory. It is vitally concerned in integrating other sciences, physical, biological, psychological, and social, at the point where action is involved. Its social importance is great. Indeed, if our civilization breaks down, it will be mainly a breakdown of administration, both private and public. . . . "The Theory and Practice of Administration" by Wallace B. Donham. Harvard Business Review, Summer 1936 issue.

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JOHN A. WALLACE started with the Ford Motor Company in 1923, was appointed Director of Traffic in 1946. An active participant in various groups whose prime interest is the investigation and furtherance of the profession of Traffic Management, Mr. Wallace can certainly qualify as an expert in his field.

Traffic Management As A Profession

by John A. Wallace
Director of Traffic
Ford Motor Company

A timely and inspirational article on the development of the Traffic Manager as the result of the numerous changes that have taken place in the transportation industry in the past twenty-five years. The author's point—that traffic management is now a profession—is surely well made here.

THE transportation industry has undergone many significant changes in the last twenty-five years. Air and motor carrier transportation facilities particularly have been greatly expanded, and new and better equipment has been developed to meet the need which this expansion has produced.

But the most significant change has been the rapid establishment of Traffic Management as a profession. With the growth of the transportation industry in the United States, Traffic Management has become an increasingly complex field, and business men are coming more and more to recognize the vital importance of the qualified Traffic Manager to the efficient functioning of industry.

Historically, the primary function of the Traffic Department has been to control the transportation of raw materials, supplies and products in and out of the factory. In recent years, however, company managements have become increasingly aware of the fact that an alert Traffic Department does much more for an industrial organization than merely arrange for the movement of its freight.

Today's Traffic Manager advises management on relative transportation costs in the selection of plant sites, in the sourcing of its suppliers, and in the selection of the most desirable locations for warehousing and redistribution activities. The Traffic Manager constantly contributes to more profitable operations through advice on packaging methods and shipping frequency as well as by advice on product design and description. Today, in well organized companies, there are few areas of management which do not from time to time benefit through the aid and counsel of its Traffic Manager and his staff.

The underlying motive of freight transportation is to move all articles of commerce offered for shipment from points where they are produced, manufactured or concentrated, to the market points of consumption or utility. The gradual evolution of modern transportation is responsible for the present broad and growing extension of commercial and industrial activities.

Under our present transportation scheme the manufacturer and distributor is able to purchase his material from various parts of the world, move it efficiently to his plants or warehouses and in turn redistribute it by either water, rail, highway, pipeline or air to broader markets than even dreamed of twenty years ago. Material handling, packaging and shipping media are making technological gains at an amazing rate. The recent cooperative development in rail-truck piggy back movement is a typical example of this progress. It offers still another method which the alert Traffic Manager must consider in determining the most economical and efficient movement for his goods.

Transportation is the second most important industry in the United States; it is exceeded only by agriculture. Billions of dollars are spent annually for transportation services. In our company, taking into consideration all elements of cost such as materials, manufacturing overhead, direct labor and transportation, the cost of this transportation constitutes the fourth largest item of expense.

If such vast sums must be spent to transport the products of American industry, it follows that industry must purchase these transportation services with the same scientific and discriminating care that it exercises in purchasing its raw materials. To accomplish this it also follows that these functions must be performed by members of management who possess the necessary tech-

nical qualifications, educational background and practical experience to buy transportation services intelligently, and that he must also be so situated organizationally that his voice may be heard in top management council.

The Industrial Traffic Manager today is the man who is charged with the responsibility of purchasing economical and efficient transportation for his company. He performs vital cooperative and supervisory functions within the plant's own internal organization and between the plant, the carriers, and the ultimate customers.

Traffic Manager's Duties Begin Before Plant Is Built

Let us look more closely at the many ways in which a Traffic Manager's job goes far beyond the mere arranging for and surveillance over the movement of his company's freight. Long before such freight begins to flow, and while plants are still on the drawing board, the Traffic Manager is hard at work. American Industry has entered an era of wide decentralization. New plants, new warehouses, and new facilities are either under construction or under consideration. Hundreds of industries have failed because they were not located in competitive geographical areas.

The traffic man is indispensable in the selection of the ideal plant site, not merely from the standpoint of transportation facilities and convenience, but also from the standpoint of the proximity of raw materials and ultimate markets. He must determine by careful study of the existing or potential rate structure the optimum balance between the inbound transportation cost of the raw material and the cost of moving the usually higher-rated finished product to the consumer. He must point out to his management where freight advantages of greater proximity to the market begins to be overbalanced by increased cost of moving farther from their raw material source. Proper and astute determination of this ideal compromise can and usually supplies the difference between a plant's success or failure.

John Garwood, Assistant Professor of Economics at Kansas State College, stated in a recent trade journal that "*ninety percent of cases of industrial failure are traceable to ill-advised plant location. Choice of plant location sometimes called 'the curse of industrial success' is one of the most difficult yet interesting in the entire management picture.*"

It can easily be seen that transportation cost ranks with the availability of skilled labor, of power, utilities, etc. as a key factor in plant selection. In these studies, traffic, facilities analysis personnel, and plant engineering must work together very closely. This coordination in the blue print stage also involves traffic recommendations as to track layout and truck shipping and receiving facilities.

To assure maximum effectiveness it is desirable that Traffic work as a team with Purchasing activities. Until recently the procurement of raw materials was accomplished with extreme difficulty due to government controls, the war, and the post-war defense effort and critical material shortages. Purchasing Departments usually considered themselves fortunate to get their requirements from any source. Availability superseded cost as a determining factor, and transportation costs too frequently had virtually to be disregarded.

Today, the rat race is over and both Traffic and Purchasing must jointly and conscientiously examine and evaluate transportation expense. When the Purchasing Agent is considering price quotations on a product submitted by two or more sources of supply, Traffic will furnish him with the respective freight costs to enable him to determine which quotation actually reflects the lowest laid down price.

Traffic also keeps Purchasing informed of impending changes in freight rates because such changes may affect the laid down costs of purchased materials and make it advisable to change sources of supply.

Advantages of Close Cooperation Between Purchasing and Traffic

By working closely with Purchasing the Traffic Department will receive advance knowledge of contemplated large volume purchases of materials. With this information it is then in a position to approach carriers for the publication of reduced commodity freight rates and thus receive early benefits of such a concession. Even these cost figures may be deceptive and Traffic must caution Purchasing to consider such factors as the possible difficulty in maintaining a continuous dependable flow of goods from areas not served by *adequate* transportation facilities. Material cost savings may be more than offset by high expediting, tracing and follow-up costs in cases where sourcing failed to give proper consideration to the availability of dependable transportation service.

Traffic again enters the picture before the purchase order has been mailed to the supplier. A Traffic Routing Clerk can check the order and insert the most economical and dependable routing thereon. This insertion becomes a part of the purchase contract and should the shipper ignore these instructions and use a costlier mode of transportation without good cause, the excess expense may be charged back to him.

By its control of the routing of incoming materials, Traffic has knowledge at all time of the location of the shipment in transit. In the event Purchasing or Production Control wishes to reconsign it to another destination or if it becomes necessary to actively expedite its delivery, this can be accomplished very readily.

What Can Traffic Do To Assist Sales and Advertising?

In large industries the inbound and outbound transportation media falls into a generally permanent pattern. However, this pattern may frequently be completely disrupted by strikes in supplier plants or in transportation agencies, critical shortages of raw materials or act of God in the form of severe storms or floods disrupting transportation. During such emergencies the Traffic Department meets the challenge with experienced ingenuity and accomplishes transportation miracles to keep its industries operating.

The Traffic Department can also be of considerable assistance to the Sales and Advertising Departments. We all know that the consumer pays for transportation in the price of every article he purchases.

The field in which the Sales Department concentrates its efforts the Traffic Department can aid by helping to deliver the finished products at a laid-down cost equal to or less than that of its competitors. The Traffic Department can substantially increase the boundary of that field by carefully selecting the most economical media of transportation, by consolidating shipments consigned to a number of customers in the same area into pool cars or pool trucks at a freight saving, by taking advantage of stop-off arrange-

ments and the lower volume rates applicable, and by petitioning the carriers for establishment of reduced rates where justified by volume tonnage.

The Advertising Department operates on an allocated budget and must direct its appropriation to areas where it will be most productive. Traffic freight rate studies will determine in which territories the firm's products can compete to the best advantage. With this information the advertising dollar can be spent in those areas reflecting the greatest benefit.

Another very important function of Traffic is the supervision of the classification of freight for transportation.

For purposes of clarification I should explain that each of the thousands of articles transported in commerce daily either bears its own specific freight description or falls into a grouping of a number of articles of similar transportation characteristics.

Freight rates, of course, are based upon the classification or description assigned to the articles shipped and since shipping costs are dependent upon rates paid, the proper classification of all freight emerges as one of the most important functions of the Traffic Department. The metallurgical alloy content in metal automobile parts controls the freight rate applicable in transportation. For example, automobile parts composed of brass or aluminum metal take a higher rate of freight than those made from iron or steel.

How The Ford Company Handles Changes In Freight Charges

To build automobiles during the recent years of critical material shortages the automobile industry was compelled to resort to many metallic substitutions. Certain automobile parts made from copper or brass streaming to assembly plants today at a relatively high rate of freight might conceivably be made tomorrow from iron or steel on which a lower rate of freight would be applicable.

The problem of keeping abreast of the hundreds of metallurgical and chemical changes in our products affecting freight cost and keeping all traffic activities currently informed in order that they might pay the correct freight charge was solved by the adoption of an ingenious coding system. Every finished or semi-finished manufactured or purchased article going into the assembly of a Ford automobile truck or tractor from the engine to the smallest bolt or rivet bears a numerical symbol number for purposes of identification. A freight classification code number is also assigned by our Traffic Classification experts and reproduced on all shipping documents.

Engineering Department And Traffic Work Together On Code Numbers

A small group of central Traffic Classification experts in daily contact with our Engineering Department keep currently abreast of these metallurgical changes and by revising the code numbers are able to keep every traffic activity in the company currently informed of changes affecting freight cost.

The filing and collection of claims against carriers for loss and damage of merchandise in shipment is a function of the Traffic Department. One form of transportation alone—the railroads—in 1953 paid out $111,000,000.00 for freight loss and damage. This amount represents a staggering and deplorable economic waste and neither the shippers nor the railroads are proud of it.

An impressive record of claim collections is of no particular credit to a company because claim prevention is of much greater importance than the collection of money. The good-will of a customer lost through damage to his shipment in transit cannot be restored by the carrier ultimately making good the loss.

The preparation and collection of claims is a costly and tedious and distasteful process and the Traffic organization in our company is dedicated to a perpetual program of claim prevention.

I would like to give you just one more example to illustrate what can be accomplished with cooperative effort of all departments in a large industry. As you have no doubt heard, we at Ford purchase finished small parts from several thousand suppliers located all over the country, and these parts are fed to our numerous assembly plants for assembly into automobiles and trucks.

If these parts which are released in less than carload quantities were to be shipped direct to our plants in those quantities, they would collectively constitute several thousand shipments every day, and the task of tracing, expediting and follow-up would be staggering.

To avoid such an undesirable situation we have set up twenty-eight consolidation centers in various industrial regions. These small shipments are funnelled into these pooling centers from the surrounding areas and are shipped to destinations as solid truckloads or solid carloads. It is not uncommon to find in a single carload of this consolidated freight the small shipments of as many as sixty different suppliers. During 1953 these small shipments constituted 18,760 carloads of freight.

While this operation reflects tremendous savings in transportation expense which can be computed in dollars and cents, the value of the intangible saving in tracing, expediting, premium transportation, telephone bills, lower inventories and the wear and tear on traffic personnel can only be guessed.

To keep this huge activity operating efficiently requires the active cooperation of a number of departments in the Company.

Top Organizational Level Given Traffic Manager At Ford

The Legal Department executes all leases of property at consolidating centers and approves contracts with truck and freight car loading contractors. The Production Control Department releases purchased materials in conformity with shipping frequencies, the Purchasing Department negotiates purchases on an F.O.B. basis favorable to the operation, and the Accounting Department takes extraordinary measures to pay all freight bills within the legal time limitation.

Today, an LCL or an LTL shipment in our Company is a rarity because of such teamwork. This is all brought about by the recognition by all components of our management of the value of the Traffic Department to the Company's success.

In our Company there is an operating Traffic Manager in every manufacturing plant. In some of our smaller activities the Traffic Manager may only have two other people in his section, yet he is on the same organizational level as the Controller, the Plant Engineer, the Production Control Manager, and the Manager of Purchasing.

I have now covered most of, and certainly the most important functions of an Industrial Traffic Department. I hope I have shown you how they fit into or should fit into the Management Team.

New Management Writing . . .

MANPOWER IN THE UNITED STATES: *Problems and Policies, edited by William Haber, Frederick H. Harbison, Lawrence R. Klein, and Gladys L. Palmer. 225 pages. $3.00.*

To answer the question of how our country can most effectively utilize its labor force, these four brilliant editors have drawn upon the research and experience of more than 20 business and industrial, as well as straight research, authorities. The book is a presentation of the problems involved and a statement of some of the possible, desirable policies for their solution. Because of the influence of our mechanized industrial processes and products on all manpower dynamics, the authors consider the effect of mechanization on mobility and labor turnover, productivity and hours of work, education and skill, wage differentials and patterns of bargaining, union organization and structure, and mobilization of our manpower force in time of national necessity. In a field where there is much literature and little authority this is one of the good books.

THE DEPARTMENT STORE, *by H. Pasdermadjian. Newman Books, 68 Welbeck St., London, England. 216 pages. 16 shillings, net.*

This is a unique book because its author speaks with probably as much authority on this subject as can anyone alive. He is General Secretary of the International Association of Department Stores, and a known authority in many countries on business economics. The volume, small and tersely-written, contains a brief history of commerce, paralleling it with social progress, of the last 100 years. Then comes an analysis of modern store management, shrewd and to the point, and finally a section on the future of the department store which is a valuable contribution to a widely-known problem. A searching, sober, and well-reasoned discussion of one of America's great contributions to the world of retail economics.

CASES IN MARKETING, *by Lawrence C. Lockley, and Charles J. Dirksen. Allyn and Bacon, Inc., New York. 332 pages. Price upon request.*

The cases here are based on the actual problems of real, modern companies in business now, with consumer products of all types and kinds. While the case histories are used in a survey manner, making the book a series of what at first seems to be unrelated problems; the actual over-all tone of this book is to cover all the various areas in which modern management ever finds trouble. The cases themselves are among the most fascinating reading this department has seen in some time—products you use each day are taken, and you see behind the scenes into businesses, having as much trouble as could happen to any management man.

MANUAL OF FORM DESIGN, MANUAL OF PROCEDURES, MANAGEMENT ANALYSES AND INSTALLATIONS, *all by the City of New York. (Write to Bureau of the Budget.)*

It is not often that this space would recommend a specific city's bulletins for review by leaders in the management field. But these three well-bound paper brochures are exceptional in that they offer a complete picture of one great modern city's attack and solutions to the various problems that in many ways are the growing concern of modern private business and industry. Actually, the propaganda element has been almost eliminated from these brochures, for they are a complete and simple record of the facts as they were gathered, recorded, assembled, then solved. The budgeting was incidental to the actual solution of the problem, which makes the scheme of operation applicable to business and industry which must consider its own profit and therefore its own resources.

TIMESTUDY FOR COST CONTROL, *by Phil Carroll. McGraw-Hill Book Company, New York. 301 pages. $5.00.*

This third edition is a simple, practical manual making timestudy and control, based on predetermined standards, useful in the medium and small-sized plant. In approach and treatment it is especially suited to the needs of engineers, executives, and supervisors in industrial plants where motion study by the motion picture method is too costly and time-consuming. The book includes such topics as analyzing timestudy results, building standard data and data work sheets, getting incentive performance, and maintaining correctness in standards.

SALES ADMINISTRATION PRINCIPLES AND PROBLEMS, *by Bertrand R. Canfield. Prentice-Hall, New York. 662 pages. $6.75.*

This is the third edition of the most successful management book ever sold (it has gone into more than 40,000 copies); this is a complete rewrite. New trends and developments demand that even the most succinct management book reviewed by authorities from time to time, and this fine work has not only followed, but actually plotted, much that has been done in sales control in modern business and industry. Every chapter ends with an actual case history, and such modern problems as unionization of salesmen, legal aspects of sales management, and the latest in control records and systems—it is all here. One of the rare, great management volumes.

THE HUMAN ENTERPRISE PROCESS, AND ITS ADMINISTRATION, *by William Brownrigg. The University of Alabama Press. $4.50.*

Executives, administrators, and students of administration and management will find in this new book a sharp analysis of their work, along with new ways of attacking problems, and new tools for improving their and their companies' efficiency.

The author shows that administration, whether business or industry, whether of huge government departments or of small private business—is always a part of a larger enterprise, and that all other parts affect and are affected by the movement of administration.

After making this point early in the book, the author argues that administration should be studied in its complete setting, just as a part of any body is studied in the light of how its actions affect the whole human being.

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ECONOMIC ACTIVITY ANALYSIS, *Edited by Oskar Morgenstern. John Wiley & Sons, Inc., New York. 554 pages. Price upon request.*

These studies have been made by the Economics Research Project, Princeton University, on "The Mathematical Structure of American Type Economies." It is a brilliant, technical round-up, carefully and neatly edited. The format is lithographed, which in no way detracts, and permits use of those interesting formulae imperative to the various papers' subjects that make the book completely germane to the number of viewpoints its approach demands. It is not a book for the hurried skimmer. But it is immensely valuable for the technician whose studies and work finally brings about those changes for which all management must wait. The study was prepared under contract with the Office of Naval Research, and its authority is impeccable. Definitely worth inquiry for the front rank and aspirant technical man.

INTRODUCTION TO BUSINESS POLICY, *by Richard N. Owens. Richard D. Irwin, Inc., Homewood, Illinois. 474 pages. Price on request.*

This is a good, first-level management book. They are very rare, for most knowledgable management authors must assume that the reader is at least past his first steps in business. This book is not only a textbook, it is also a good book for those entering their first business experience. It is about, and this itself is rare enough, just what its title says: it covers all those misty areas that so confuse the modern business beginner. It makes clear to the more experienced business man just what his lower-level help may think of him, of his policies, and of business in general and how it is run. A fine help, without in any way being a crutch.

PROFITABLE SMALL PLANT MANAGEMENT, *by Malcolm H. Gotterer. Conover-Mast, New York.*

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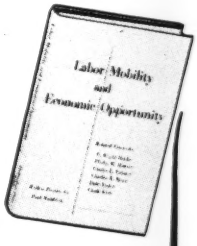

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